Accountancy

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Professional Notes

Failure of a Forecast?

A YEAR OR SO AGO ECONOMISTS WERE PREDICTING A RECESSION IN THE UNITED States and dire consequences for the British economy. They were half-right: the American recession occurred. Industrial production in the United States in the first half of 1954 was some 8 per cent. less than in the first half of 1953; unemployment grew ominously; imports from the rest of the world declined as production and employment receded. Only now is it becoming fairly safe to say that the United States has ridden the recession and that the economic indicators portend a recovery.

The second half of the prophesy of last year has, so far, not been fulfilled. Instead of suffering a sharp economic decline in the wake of the United States, as we did when there was a comparable recession there in 1948-49, the British economy has had what is probably its best half-year since the war. The sterling area has kept the gold and dollar reserves in London in a buoyant state; the pound has been knocking hard at the upper limit of its fixed price range; the dollar problem has been only an insubstantial ghost of itself; far from industry being starved of imported materials, it has been more active than ever. Caution, enjoined by the very refusal of the economy to act in the face of the American recession as was foretold last year, precludes one from expressing boundless confidence in continued good times for Britain and the sterling area. But it is certainly possible to find a number of sound reasons why there could be a pretty severe decline in the United States with no down-turn here. When the 1953-54 recession began in the United States, the British economy was far healthier than it had been when the 1948-49 recession set in. Dependence by Britain and the sterling area (and most of the rest of the world) upon imports from the United States is now much less than it was five years ago, largely because alternative sources of supply have become available. American military aid and "off-shore" purchases of military equipment by the Foreign Operations Administration have brought large quantities of dollars to Europe. The prices of primary commodities have mostly been maintained —thus helping to keep up the flow of dollars to Commonwealth primary producers for exports to the United States —partly because high industrial production in Britain and the rest of Europe intensified their demand for these raw materials and foodstuffs as the American demand declined. All these underlying factors have caused speculation to be for sterling, instead of against it as in 1948-49, and private capital has flowed from, rather than (as it did last time) towards, the United States, thus still further buttressing the non-American economies.

The Share Option

The option giving the senior executive of a business the right to buy shares in his company at a fixed price at some future date was virtually killed this month. The blow was struck by the Inland Revenue. (The implications of the announcement by the tax authorities are considered on page 348 of this issue.) The arguments about the economic implications of the share option are, however, still very much alive.

Penal taxation created the share option. It has long been recognised that there is immense difficulty in adequately rewarding the heavily taxed director or executive of a company. Taxes usually prevent him from accumulating enough capital to back his faith in his own company by buying shares in the market in the normal way. By giving him a share option, his company hoped that, without any need on his part to lock his own money away, he would secure a capital gain from the appreciation in the price of the shares.

But the City is not altogether happy that the share option is the way to reward such a director or executive. Usually the share option has been awarded in the belief that it would give the recipient an additional incentive to work hard on his company's behalf. It is recognised that if the business had hit a bad patch and had to be nursed back to health by a " company doctor " the share option did provide a powerful and praiseworthy incentive. But if the business is flourishing, with every prospect of greater prosperity in the future, there are doubts about the propriety of this type of reward. The principal objection is not that the option waters the equity (for the amount of shares involved is usually slight) but that the recipient is in a position not only to know more about the future value of the equity than most other stockholders, but also to influence that value. Hence, many institutional and private investors have felt that each individual share option demanded consideration on its own particular merits. Few would disagree with this sensible view.

Death Duties in Perspective

Of the 600,000 persons who die every year, only about one-tenth leave dutiable estate and of these the wealthiest 1,000 pay rather more than a half of the total duty. This fact, which provides an eloquent commentary on the distribution of wealth in the United Kingdom, is one of the many points made in an article entitled " Sixty Years of Death Duties " in the *Midland Bank Review* for August. It is suggested in the article that " the sums transferred to the State in death duties each year represent well under 1 per cent. of the value of all property." On the other hand, the author admits that statistics on the distribution of wealth in this country are not highly reliable and that other forces are " tending towards a more even distribution." This presumably explains why the degree of redistribution during the last 30 years appears, elsewhere in the text, to have been much greater than the earlier quotation would suggest. Thus it has been estimated that the wealthiest 1 per cent. of the population owned 70 per cent. of the total wealth in 1911-13, but 55 per cent. in 1936-38, and 50 per cent. in 1946-47.

Sixty years ago, when Sir William Harcourt revised the then existing death duties and introduced the principle of graduation into British taxation, the revised death duties accounted for 12·9 per cent. of the Budget revenue. In the fiscal year just ended, they produced only 3·6 per cent. of the revenue. Whereas the effective rate of duty on the capital value of estates assessed to duty was only 6·4 per cent. 60 years ago, by 1947-48 it had risen to 21·4 per cent. Those who place most reliance on death duties as a budgetary instrument must do so because the duties assist the redistribution of wealth, rather than because of their significance as revenue raisers. The article makes the closely related point that over the years the higher rates of duty have forced owners of large estates to hold a larger proportion of their wealth in liquid form, in preparation for the payment of death duties. Further evidence from that invaluable statistical source book, the annual report of the Commissioners of Inland Revenue, lends weight to the opinion that the proportionate holding of company securities appears to increase, up to a point, with the size of the estate. At the same time, the authors suggest that by furthering of fragmentation of large estates, heavy death duties tend to reduce the capacity of private individuals to hold risk-bearing securities.

In so brief an article no single issue could be discussed at length, but no issue of importance has been omitted. Most readers of the article will be in accord with the author's view that there is a clear need for a thoroughgoing inquiry into death duty taxation, on a par with that at present being conducted into income and profits taxation by the Royal Commission.

Incorporated Accountants' Dinner

The Council of the Society of Incorporated Accountants announces that a dinner will be held at Incorporated Accountants' Hall on Wednesday, November 3, 1954. Applications from Incorporated Accountants to attend this dinner should be sent to the Secretary of the Society and will be dealt with in order of receipt. Each member may invite one personal guest, but the size of the Great Hall imposes a maximum attendance of one hundred. The price of tickets will be £2 12s. 6d. per head, inclusive of wines, etc. Further details can be obtained from the Secretary of the Society.

The Accountant's Career

We have received a copy of *The Accountant*, No. 59 in the Choice of Careers series of booklets issued by the Central Youth Employment Executive in consultation with the Ministry of Education, the Scottish Education Department, and the Ministry of Labour and National Service (Her Majesty's Stationery Office, price 9d. net).

Within the compass of 20 pages, the booklet gives a note on the development of the profession and the names and addresses of the professional bodies, followed by clearly written accounts of the work carried out by the accountant in independent practice, in industry, and in public service; personal qualities necessary; university courses and professional training, including a summary of the requirements of each body and examination and other fees; and openings and salaries.

Setting Up a Subsidiary in Canada

British firms who consider setting up a branch office or subsidiary company in Canada can obtain free from the Board of Trade, Commercial Relations and Exports Department, Room 4170, Horse Guards Avenue, London, S.W.1, a pamphlet of 14 roneoed pages of useful information. This does not claim to be more than an introduction, and those

needing detailed information are advised where to obtain it.

Notes are given on application to the Bank of England and Treasury; forms of business organisation in Canada; Dominion and provincial registration; and taxation, including Federal income tax, provincial and municipal taxes, and sales tax.

The Accountants' Christian Fellowship

More than 250 accountants have signified their interest and support of the Accountants' Christian Fellowship since its formation in November, 1953. These include accountants both in practice and in commerce, and about 150 are in the London area.

The Honorary Secretary is Mr. N. Bruce Jones, 7A Princes Rise, Lewisham, London, S.E.13.

The Committee has arranged the following meetings, at which all accountants will be welcome:

September 17: "What a World!" by Major-General D. J. Wilson Haffenden, C.B.E. Incorporated Accountants' Hall, London, W.C.2, at 6 p.m.

October 29: "What is Man?" by Mr. George Cansdale, B.A., B.SC. Bible House, 146 Queen Victoria Street, London, E.C.4, at 6 p.m.

November 26: Address by Lt.-General Sir Arthur Smith, K.C.B., K.B.E., D.S.O., M.C. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

"Cooking the Books"

It has been suggested that the first person to talk of "cooking the books" may have been the notorious Elizabethan Attorney-General, Sir Edward Coke, who pronounced his name "Cook," and who was undoubtedly expert at "cooking" the evidence. Not only when it assisted his case did he make alterations to prisoners' confessions, but when he was seeking to establish a legal principle he would deliberately misstate "the ancient law of England" or cite a non-existent precedent.

The enemies of Sir Edward may well have indulged in puns on his name and reputation, but the origin of this phrase, so familiar to the auditor, is probably to be found further back in history.

The verb "to cook" derives from the Latin *coquo*, which means simply "to cook" in the culinary sense. But there is another Latin verb *decoquo* which can mean (*i*) to cook or boil, (*ii*) to boil down, (*iii*) to go bankrupt. The third meaning, though colloquial, is accepted and used by such a distinguished Roman as Cicero. The first-known English appearance of the phrase is in a Latin book by Juan Vives who taught philosophy at Oxford during the reign of Henry VIII, half a century before Sir Edward Coke was "cooking the evidence." The passage, as translated from his book *The Chatterers* (this title refers to university students) mentions someone who has "cooked," and continues:

> Why, what did he cook? Is that so terrible a thing? Don't they do it every day in all the kitchens? He cooked his accounts (*decoxit rem*). What *rem*? The *rem* of others. He went bankrupt (*conturbavit*). Did he pay nothing to his creditors? By agreement, three *uncias* in the pound. And you call that 'cooking' when no deal could be rawer? (*crudius*).

The term was well known in the Bankruptcy Courts in the nineteenth century, and may first have come into frequent use after the affair of George Hudson, the "Railway King", who "cooked" the accounts of the Eastern Counties Railway to his advantage. The *Dictionary of National Biography* records the climax of his career somewhat euphemistically: "in 1854, owing to questionable business and over-speculation resigned chairmanship of Midlands Eastern Counties, Newcastle, and Berwick, and York and North Midland companies, and retired to the Continent."

Another distinguished user of the expression was John Stuart Mill who said "the Accounts, even if cooked, exercise some check." This is true, for a fraud recorded in the books is one which the auditor may discover, even though by the time he makes his discovery that the books have been "cooked" it is probably too late.

Management Accounting—A Concise Appraisal

Hard on the heels of the notes on management accounting issued recently by the Institute of Chartered Accountants comes another booklet on the same subject, this time from the Association of Certified and Corporate Accountants (*Management Accounting—A Concise Appraisal*, price 2s. net).

The Institute was particularly concerned to remove some misunderstandings about management accounting and to stimulate interest in management accounting techniques in businesses where the accounting system did little more than record history and meet statutory or taxation needs. The Institute's booklet was therefore confined to a fairly general statement of principles. The Association also refers to misunderstandings, but places less emphasis than the Institute on the need to expand the use of management accounting techniques and more emphasis on the philosophical background and on a study of the place of modern accounting services in the management structure of a business.

The difference in purpose and approach results in a deeper analysis in the Association's booklet, but an increased regard for detail and some repetition make the subject appear rather complex, so that the casual reader may be less readily converted by it than by the Institute's publication.

In common with much current writing on the subject, the Association's booklet seems to assume that what is now described as management accounting is a recent development. That is hardly correct. What is recent is the widened use of management accounting techniques and the attachment of a distinctive label to them. But to assume that all these techniques are a modern growth does less than justice to those businesses where accounting and statistical information has long been used as an aid to management. Whether a particular concern has recently adopted management accounting or has used the system for many years, there is one problem every business has to resolve—the true relationship of the accountant and his work to management and its responsibilities. The booklet draws a useful distinction between management accounting, which can guide and aid management, and management itself, where the responsibility for final decision rests. But this distinction seems to be carried a little too far in the section which deals with budgeting.

There, the point is rightly made that budgets are required for each separate sector of responsibility within an undertaking, and that the accounting system must be designed to produce information in corresponding form. It is also right to point out that the general responsibility of the accountant for assisting the managers of the subdivisions in the preparation of their budgets does not extend to the settlement of the policy on which each budget is framed. But is it right to infer from this limitation that, centrally, the accountant's responsibility is solely for co-ordinating the individual budgets and administering the budget routine? Surely his function is wider. With the information available to him he is better fitted than anyone else to undertake a critical review of the implications of the sectional budgets as a whole and to guide the top level of management in their final decisions on the composition of the budget for the business as an entity. If the accountant does not undertake this critical review, no one else will. He does not thereby encroach on the functions of management; he assists management to work more effectively.

There will be little dispute with the booklet's insistence on the necessity for an efficient accounting organisation if any useful management accounting work is to be undertaken, but there will, perhaps, be less agreement with the rather optimistic approach to the question of the cost of such a system. While much can often be gained at little cost from the reorganisation of an unsatisfactory accounting system, really effective management accounting may well be costly to operate, but the money will be well spent if better management and improved efficiency are the result. One cannot have efficiency "on the cheap." Some managements may need much persuasion before they are convinced that it is worth while spending something on clerical services to secure a more effective management control of the whole undertaking: nothing is gained by under-estimating the cost.

At the end of the booklet the Association stresses the need for the accounting profession to recognise the development of management accounting techniques and the valuable results that can come from them. The same point was made in the Institute's booklet and it is indeed an important one. The accountant who really appreciates the latent possibilities for improved management in the figures which are already available, or which can be made available in the ordinary course of business, can offer a valuable service to his clients or to his employer. This booklet should help in the necessary educational process.

Shorter Notes

Release of Greek Assets

Control exercised under the Trading with the Enemy Act, 1939, and related Orders, over money and property owned by persons resident in Greece or carrying on business there is now removed. Money and bank balances held by bankers under the control will be immediately released, unless delay is necessary to complete legal formalities if the account holder has died. Application for the release of other Greek property should be made to the Administration of Enemy Property Department (Branch 4). Company secretaries and registrars should note that no authority under Trading with the Enemy legislation is now needed for the transfer of securities or other properties of persons in Greece. The restrictions are removed by the Trading with the Enemy (Enemy Territory Cessation) (Greece) Order, 1954 (Her Majesty's Stationery Office, price 2d.)

Credit Balances of Companies in Liquidation

An Order has been made by the Treasury reducing from 2 per cent. to 1¼ per cent. per annum the rate of interest on credit balances of companies in liquidation under Section 362 (4) of the Companies Act, 1948. This sub-Section provides that when the balance at the credit of any company's account in the hands of the Board of Trade exceeds £2,000, and the liquidator gives notice that the excess is not required for the purposes of the liquidation, the company shall be entitled to interest on the excess. The reduced rate takes effect from August 19.

Business Efficiency Exhibitions

Members and students of the Society of Incorporated Accountants who wish to visit the Business Efficiency Exhibition in Manchester are invited to apply for tickets to Mr. C. Yates Lloyd, F.S.A.A., Honorary Secretary of the Incorporated Accountants' Society of Manchester and District, at 2 Cooper Street, Manchester, 2 (telephone Central 0738), giving, if possible, the date of their visit.

As stated on page 294 of our last issue, the exhibition will be held at the City Hall, Manchester, 2, from September 27 to October 2, under the auspices of the Office Appliance and Business Equipment Trades Association.

A regional Business Efficiency Exhibition will be held at the Waverley Market, Edinburgh, from October 19 to 22, from 2 p.m. to 8 p.m. Members and students of the Society of Incorporated Accountants who wish to attend should apply for tickets to the Secretary of the Scottish Branch.

The International Bureau of Fiscal Documentation

For the first time, the *International Bureau of Fiscal Documentation* has made public its annual report (that for 1953). The Bureau issues publications, assists in publications by outside bodies, and provides an information service on international tax questions. Its offices are at Herengracht, 196, Amsterdam (C), Holland.

Encouraging Investment in Belgium

A new Belgian law exempts from taxation profits of up to 30 per cent. on productive investment in industrial or handicraft enterprises during the two years from July 1, 1954. The investment must, however, be not less than 250,000 francs in a taxable period. The Government will define "productive investment."

A World Insolvency Court?

The British branch submitted to the conference of the *International Law Association*, which was attended by representatives of 23 countries last month, proposals for an international system of insolvency law. There would be a World Court of International Insolvency and divisional courts in the member-countries. Creditors in other countries would benefit to the exclusion of the civil jurisdiction of the member-country of the international insolvent.

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The Burden of the National Debt

THE CHANCELLOR OF THE EXCHEQUER, aided and abetted by the Treasury, has shown great skill as manager of the National Debt. In the last three months he has put through two very successful conversions, and their success was mainly due to clever strategy. The terms of the first new issue were pitched so as to force investors in gilt-edged to go rather longer than before and the second pushed them still further ahead. Sizeable sums in interest have been saved and the average length of life of Government stocks has been appreciably lengthened. And at the same time, the Treasury has been disposing of quite large amounts of gilt-edged in the market, at advantageous prices, so placing itself in funds for covering the country's favourable balance on its international current account and the inflow of capital from abroad, both of which entail a heavier demand for sterling by foreigners.

Thus, in less than three years from Mr. Butler's inauguration of his dearer money policy in November, 1951, the course of interest rates has so reversed itself that conversions of debt are possible, gilt-edged prices have risen to heights undreamed of since Mr. Dalton's inflationary times and the credit of the British Government is internationally at a peak. All this has produced one big question, a £1,910 million question, for the City and for investors generally: is the Chancellor aiming at a conversion of the 3½ per cent. War Loan? The refinancing of this enormous block of Government debt has passed, as our City correspondent says in his notes elsewhere in this issue, from being a joke to being a possibility. True, its price is still some eight or nine points below par. But it has risen by about this amount since the beginning of the year, and its profitable conversion would not depend solely, or even mainly, upon the amount of interest saved by a substituted stock, for the chief gain would be in cancelling both the privilege which the War Loan carries of payment of interest gross, without deduction of tax at source, and the rather widely drawn provision for exemption from tax.

It would certainly be a triumph for Mr. Butler if, during what is almost certain to be the last year of the present Government, he could bring about this refinancing. But it would be calamitous if this aim were to take a dominating part in his financial policy, to the exclusion of other more important objects. If the upward drive in gilt-edged prices continues as it has been going in recent months, certainly assisted by wise strategy at the Treasury but without the aid of inflationary finance, then the Chancellor could tackle the War Loan with an easy conscience. To bring about the necessary rise in gilt-edged prices by an injection of new money into the system, however, would be an altogether different affair, and the conversion of War Loan would have entailed far too great a sacrifice. Not that there appears to be any likelihood that Mr. Butler would cast aside his keen sense of financial and monetary rectitude, which has stood the country so well. Rather, the nexus between debt conversion and inflation is to be emphasised because one must have doubts, at this stage, whether the rise in gilt-edged can go on without inflationary finance. Only if there is a further very pronounced increase in private savings could this rise continue on other than an insecure speculative basis.

Nevertheless, the burden of the National Debt in this country is so heavy that debt conversion must be a prime object. In 1953-54, the interest on the debt was £667 million, the equivalent of about 3s. 6d. in the pound on income tax. The service of the debt now takes some 4·3 per cent. of the national income, a higher percentage than in any other major country, as can be seen from the following table (in which the figures refer to 1952, when they were probably rather higher in almost every country than they are today):

Interest and Management of National Debt as Percentage of National Income in 1952

Australia	1·6	Norway	1·1
Canada	2·6	Sweden	0·8
France	1·3	Switzerland	1·4
Italy	1·7	South Africa	1·1
Netherlands	2·8	United Kingdom	4·3
New Zealand	2·7	United States	2·1

The British figure was 6·3 per cent. in 1946 compared with 4·3 per cent. now, but between the immediate post-war year and 1952 the percentages had fallen more in almost every other country than they had here. In the United Kingdom, this reduction in the burden of the debt resulted largely from the growth of the national income in real terms, in smaller degree from its growth in purely monetary terms by reason of inflation, and until very recently hardly at all from conversions. In some of the other countries the lightening of the burden of the debt was mainly due to the inflation of the currency, and thus of the national income in terms of money. The comparison between ourselves and other countries is not entirely free from the implication that we bear a larger financial burden than we should by international standards, but the dominant thought to which it gives rise is that the best way to reduce the burden is by intensified production to increase still further the national income in real terms, to take advantage of conversions as opportunity offers, but to eschew any inflationary relief.

The Housing Act

The Housing Repairs and Rents Act, 1954, came into force on August 30, 1954. It has two distinct yet allied objects: the modernisation of old houses with the help of Government grants, and the raising of controlled rents. The first of these objects embodies the Government's plan for preventing houses declining into slums; the second is a timely recognition of the inadequacy of present-day rents. This article reviews both these reforms, and outlines the steps to be taken for financial assistance or increased rents under the Act.

Grants for Old Houses

FOR ONE REASON AND ANOTHER, THE FINANCIAL PROVISIONS of the Housing Act, 1949, met with little success. It was that Act which re-introduced the principle of giving Government grants to property owners who modernised their premises, but neither the owners nor the local authorities were enthusiastic over the scheme. No doubt, five years ago, the restrictive provisions of the Town and Country Planning Acts, and the general difficulty of obtaining building licences, tended to overshadow the facilities available to owners who were prepared to improve or convert their property. Whatever the reason, few private owners took advantage of the grants, and the campaign to encourage the modernisation of old dwelling houses was virtually at a standstill.

It was the lack of interest in so important a part of the official housing scheme that led the present Minister of Housing and Local Government to announce last November that he intended to ease the conditions on which improvement grants could be obtained, and to give the landlord a fairer return on his capital. In explaining this to Parliament he stated:

> Properly known and used these improvement and conversion grants under the Act of 1949 can be an immense help in the preservation of the national stock of sound houses and in adapting them to modern needs. A nation-wide programme of improvement and conversion could save them, and extend their useful life for another generation or longer. Two things are necessary: first, that house owners know of these grants and how to obtain them; second, that local authorities do their utmost to help applicants and potential applicants for grants in framing acceptable proposals. The Government propose to take action accordingly.

Part I of the Housing Repairs and Rents Act, 1954, gives statutory authority to this statement. Although there is no new principle involved in giving grants for modernising old houses, the procedure has been so improved and the financial advantages so enhanced that the scheme now stands a much better chance of success.

Under the revised scheme, an owner of a house that needs modernising can obtain a grant of an amount up to half the cost of the work, with a maximum grant of £400 per house or flat. In practice that limitation of the grant will be important, because it applies to each " dwelling " produced under the improvement scheme. Thus an owner carrying out improvements to a single house will be able to obtain as much as £300 if the work costs £600, or £400 if it costs £800 or more. An owner who converts a large house into three flats can obtain a grant on each flat of up to half the amount spent on conversion—subject again to the £400 maximum. If his conversion scheme were to cost £800 a flat, or £2,400 in all, the grant could be £1,200.

It is to be noted that not only houses are eligible for these grants. Any building which can be converted into a house or flats comes under the scheme if, after the work is done, it will provide a satisfactory dwelling for at least fifteen years.

This arrangement seems generous, and now that property owners can charge their tenants an economic rate of interest on the net cost of the improvements, greater use will doubtless be made of these grants.

It is important to consider the type of capital expenditure towards which the grants are available. So far as improvements are concerned, the expenditure may be upon any work needed to bring a house up to the standard of comfort and convenience which is expected in a modern home. According to a booklet prepared by the Ministry of Housing (*Grants for Improvement and Conversions*, Her Majesty's Stationery Office, price 4d. net.) the following works are included:

1. Providing an indoor water supply or bringing gas or electricity into the house from a nearby main; in rural areas sinking a new well.
2. Putting in a bathroom or an indoor W.C.; changing over from a cesspool to main drainage.
3. Installing a hot water system, or standard kitchen equipment like sinks and draining boards.
4. Doing any work needed to put right any fundamental defects in the structure of a house; for example putting in a damp-proof course; remedying dry-rot; changing the levels of ceilings, floors or roofs in order to get a proper ceiling height; putting in a new staircase to replace one that is inadequate by modern standards or badly placed.
5. Making new windows in order to improve the lighting and ventilation.
6. Providing a larder or fuel storage space.
7. Adding an extra room where it is necessary to provide adequate living space.

In the case of conversion, grants will be available towards the cost of dividing a large house or a pair of houses or a

row into smaller, self-contained flats. Making a house or flats out of a building built for some other purpose will also attract a grant.

Financial assistance on such a scale to any owner who is willing to modernise his property is an ambitious plan. There is to be no " means test," and the Act has no regard to the financial position of the applicant. Apart from the reasonable proviso that a dwelling must have a useful life for at least fifteen years after the work is done, the regulations appear to be free from any obstacle which might deter potential applicants.

Can it be that Section 16 of the Housing Repairs and Rents Act, 1954, contains too wide a power of discretion to local Councils in giving these grants? Sub-Section (1) of that Section provides that:

> ... the Minister or a local authority, as the case may be, may approve any such proposals or application if satisfied that the said period is likely to be more than fifteen years and that it is expedient in all the circumstances that the proposals or applications should be approved.

Whether or not suggested improvements are expedient may sometimes give rise to dispute, but with the need for modernisation so earnestly urged upon the property owner it is difficult to believe that local Councils will use their wide power of " veto " other than exceptionally.

These grants should present no particular difficulty from the accountancy or taxation angle. If the cost of improvement or conversion falls to be capitalised (as will generally be the case where the property concerned is a fixed asset), the receipt of the grant will be correctly credited, so that the addition to the property account is represented by the net cost to the owner. Thus no question should arise of the grants being subject to income tax. If, however, the cost of the work is itself eligible for income tax relief—for example, as improvements included in a maintenance claim under Section 101 of the Income Tax Act, 1952, or in a capital expenditure claim under Section 314—the amount of any improvement or conversion grant must be deducted from the expenditure forming the subject of the claim.

It seems unlikely that these housing grants will normally be receivable by dealers in property in such circumstances that the contribution becomes assessable to income tax as a trading receipt. It is a condition of the grants that a grant-aided dwelling must be occupied by the applicant or a member of his family, or be let or kept available for letting. If the property is sold at any time during the unexpired life of the improvement or conversion, the whole or part of the grant immediately becomes repayable by the owner with compound interest. Thus grant-aided dwellings are unlikely to represent the stock-in-trade of speculative property dealers, at any rate until the owner has been released from any conditions attaching to the grant by repaying the appropriate proportion to the local authority.

The incidence of income tax must be borne in mind in connection with any increased rent or interest payable to the owner as a result of an improvement or conversion. In most cases, the local Council will fix a maximum rent to replace the previous controlled rent, and they will take into account the condition of the dwelling after the work has been done, as well as the amount of money that has been spent on it. Alternatively, the previous rent will remain but be subject to an addition of interest at eight per cent. per annum on the net cost of the work. In either case, the owner will be in receipt of a higher income from the property, and will be liable to be assessed under Schedule D in respect of " excess rents " until such time as the assessment on the dwelling is raised on account of the structural alterations, and the whole of the increased income is taxed under Schedule A.

Repairs and Rents

Similar considerations of taxation under Schedule D arise in connection with the " repairs increase " permitted by Part II of the Housing Repairs and Rents Act, 1954. The full implication of taxing this permitted increase and of obtaining the corresponding maintenance relief has been referred to in an earlier article (see ACCOUNTANCY, January, 1954, pages 14-15). We dealt then with the Government's proposals as outlined in the White Paper *Houses—The Next Step*, published in November, 1953. The new Act has not materially altered those plans, but it is as well to distinguish the way in which controlled rents may now be increased by reference to repairs from the machinery we have just reviewed whereby the increase derives from a grant-aided improvement.

Part II of the 1954 Act is not concerned with improvements, but with the general need to increase the existing rents of dwelling-houses in good repair. Section 23 of the Act now provides the statutory authority for such an increase, and relates it to expenditure on repairs in the following terms:

> (1) Where a dwelling-house is let under a controlled tenancy or occupied by a statutory tenant, and the landlord is responsible, wholly or in part, for the repair of the dwelling-house, then, subject to the provisions of this Part of this Act:
>
> (*a*) if and so long as the following conditions (hereinafter referred to as " the conditions justifying an increase of rent ") are fulfilled, that is to say:
>
> (i) that the dwelling-house is in good repair; and
> (ii) that it is reasonably suitable for occupation having regard to the matters specified in paragraphs (b) to (h) of sub-Section (1) of Section 9 of this Act; and
>
> (*b*) if in accordance with the Second Schedule to this Act the landlord has produced satisfactory evidence that work of repair to the value specified in that Schedule has been carried out on the dwelling-house during the period so specified,
>
> the rent recoverable from the tenant shall be increased by virtue of this sub-Section so as to exceed by the amount hereinafter mentioned the rent which apart from this sub-Section would be recoverable from the tenant under the terms of the tenancy or statutory tenancy and having regard to the provisions of any enactment.
>
> (2) The amount of any increase payable by virtue of the last forgoing sub-Section (which increase is hereinafter referred to as a " repairs increase ") shall be at the annual rate of twice the statutory repairs deduction for the dwelling-house in respect of which the rent is payable:

Provided that where the landlord is responsible in part only for the repair of the dwelling-house, the amount of the repairs increase shall be reduced proportionately.

As from August 30, therefore, a landlord can serve a notice of " repairs increase " on a tenant, giving a date, at least six weeks after the date on which the notice is served, from which the repairs increase will be payable. The amount of the permitted increase will depend on a number of factors, and in any event will be limited by sub-Section (2) of Section 23 to twice the statutory repairs deduction given for purposes of rating.

There is, furthermore, an additional limitation to the amount of the increase since the total rent of a controlled dwelling-house must not exceed an amount equal to twice the gross annual value as determined for rating (Section 24).

Before a landlord can claim a repairs increase in rent he must declare not only that the house is in good repair, but also that he has satisfied the expenditure test referred to in sub-Section (1) (b) of Section 23 quoted above. The precise manner of making these declarations is governed by Statutory Instrument, and the *Housing Repairs (Increase of Rent) Regulations, 1954* (S. I. No. 1,036, Her Majesty's Stationery Office, price 9d. net) set out the appropriate forms. The regulations also embody the statutory form of notice to be given to a tenant in respect of a repairs increase in rent, and set out in draft form the calculation of the increase after taking into account the limitations referred to and providing for adjustments in respect of rates and any proportion of the rent which may be represented by furniture or services.

No one can pretend that the calculation is without complications, especially where a tenant is under an express liability to carry out certain repairs, and an allowance must be made in the repairs increase for that and other similar factors. Accountants are likely to be increasingly called upon to advise property owners on the correct calculation for a repairs increase. Further, they will be asked to show what the financial effect of such an increase will be after the statutory expenditure on repairs has been incurred, and the relevant tax position has been adjusted by reference to assessments under Schedules A and D and to maintenance relief. A close study of the regulations and the official " skeleton " calculations embodied in the various forms is undoubtedly a necessary preamble to any attempt to give such advice.

An official booklet (*The New Act—Repairs and Rents*, Her Majesty's Stationery Office, price 4d. net) summarises the general effect of Part II of the Act, and gives four examples of calculating a repairs increase in varying circumstances.

With the possibility of a return of eight per cent. per annum on the net cost of improvements, and a " repairs increase " permitted to controlled rents, the owner of house property can begin to adjust his income to the building costs that have so long absorbed his rents. His tenants will share in the improvement by enjoying better housing conditions.

CRITIQUE OF THE SECOND MILLARD TUCKER REPORT

The Federation of British Industries has sent to the Chancellor of the Exchequer, the Royal Commission on Taxation and the Board of Inland Revenue a memorandum on the report of the Millard Tucker Committee on the Taxation Treatment of Provisions for Retirement. The memorandum was prepared by the Federation's Taxation Committee, whose chairman is Mr. Frank Bower.

Welcoming the report and urging the adoption of its general principles of " exempting the build-up of *bona fide* and reasonable schemes and taxing the benefits," the memorandum makes two important general points. Firstly, the committee's estimates of the cost of implementing its proposals (some £65 million in a full year) are regarded as too high, for they assumed that persons not now eligible for pension schemes would claim " nearly the maximum possible relief," but neither individuals nor companies controlled by directors seeking pension cover under the facilities would in general be able to afford the maximum provision. Further, most of the savings for retirement would be new savings that otherwise would not be made. Secondly, if the minority of persons who are liable for sur-tax are ignored, the majority report of the committee recommends expenses relief on contributions at seven-ninths of the standard rate. The minority report rejects this recommendation in favour of life assurance relief, but would increase the present rate of relief to six-ninths. So far as the great majority of persons are concerned, therefore, there is only one-ninth in dispute, and the difference between majority and minority is substantial only so far as concerns individuals liable to sur-tax. " Taxation," says the Federation, " is levied on individuals according to their ability to pay " and this " should be reflected in the graduation of rate and not be extended by a refusal to allow those liable to sur-tax to participate in the advantage of retirement benefit schemes." It would therefore reject the minority report as " in substance directed to this narrow and undesirable object."

The memorandum then goes on to comment in detail on a large number of the specific recommendations made by the committee. This detailed commentary is very desirable reading for all accountants who are particularly concerned with pension schemes and with the finer points of the committee's plans for self-employed persons and directors, but it is too long to summarise. One less specific point that is made concerns the numerous matters on which the Board of Inland Revenue would, under the committee's report, have power of discretion. The Federation considers that there should be an appeal body which could review a decision of the Board of Inland Revenue when it exercised its discretion, and suggests that the Board of Referees would be a suitable body if additional referees were chosen from qualified people in insurance, pension funds, business, and the professions of accountancy and law.

Investors and Income Tax

[CONTRIBUTED]

TO BE SUCCESSFUL THE INVESTOR, whether he is of the scientific or intuitive school, must pay attention to the impact of taxation. Investors' income tax, like that of any other person, depends largely on individual circumstances, but a reminder of the special points which have general significance may be useful.

In order to make comparisons, the subject matter if heterogeneous must be converted to a common denominator. With investment income it is essential to array common yields, that is, either the true gross yield or the actual net yield. The illustration at the foot of this page of a charity's investment income may serve to illustrate the point.

If a published statement were limited to the information in Section I, it is readily seen how misleading it would be.

Tax Free Income

There are two main sources of tax-free income: investments in building societies and National Savings Certificates. National Savings Certificates will be dealt with in another article in a subsequent issue of ACCOUNTANCY. Income from investments in building societies is assessable to sur-tax at the gross equivalent of the actual interest received and must be included as part of total income for income tax purposes at the amount actually received, in order to compute such allowances as life assurance relief, old age allowance and small income relief. The effective gross yields from building society interest of 2½ per cent., free of tax, are:

Tax at reduced rate of 2/6... 2·86 per cent.
Tax at reduced rate of 5/-... 3·33 per cent.
Tax at reduced rate of 7/-... 3·85 per cent.
Tax at standard rate of 9/-... 4·55 per cent.

If the interest is treated as earned income the gross yield will be seven-ninths of the tax rate stated, e.g.

Tax at reduced rate of 5/-
gross at 7/9ths of 5/- ... 3·1 per cent.

General Reliefs

At the bottom of the scale is the investor whose income is about £250 per annum and who is consequently eligible for small income relief (two-ninths of unearned income). There are marginal provisions for incomes slightly exceeding £250 and these depend, of course, on the taxpayer's personal allowances.

Illustration:

	With marginal provisions		Without marginal provisions
	£	£	£
Investment income ...	250	+ 71	321
Relief for small incomes	56	—	—
Personal allowance ...	120	—	120
Taxable	74	71	201
@	2/6	8/-	£100 @ 2/6 £101 @ 5/-
Payable	£37 13		£37 15

The "old age" investor (one aged 65 at any time in the tax year and whose income does not exceed £600) qualifies also for, in effect, the earned income allowance on his or her investment income. Once again there are marginal provisions whereby income exceeding £600 may be taxed on the basis of the first £600 attracting old age allowance and the excess bearing tax at 12s. 6d. in the pound.

Illustration:

	With margin		Without margin
	£	£	£
Investment income ...	600	257	857
Allowances:			
Old Age ...	133		—
Personal ...	210		210
Life Assurance say	7		7
Taxable ...	250	257	640
Tax payable			
£100 @ 2/6; £150 @ 5/-	£ 50	first £400	£102 10
£257 @ 12½/-	160 12 6	£240@9/-	£108 0
	£210 12 6		£210 10

Old age allowance is granted when either of two married persons living together is 65 at any time during the tax year. Although in order to calculate the old age allowance the building society interest actually received must be included, the actual refund of tax is limited to tax suffered on other income. Thus there are cases where part of the income consists of building society interest when it may not pay to claim the marginal provisions.

Net United Kingdom Rates

Many shareholders now find on their dividend warrants a note to the effect that there is a net United Kingdom rate of so many shillings and pence and discover to their consternation that this rate represents the maximum refund of tax allowed by the Inland Revenue. Thus an investor whose maximum rate of tax is the reduced rate of 5s. may appreciate that a 10 per cent. gross dividend (net United Kingdom rate 3s.) gives a net dividend (here understood as the amount left to the investor after making his repayment claim) of 7 per cent. whereas had the net United Kingdom rate of tax been 5s. or more the net dividend would have been 7½ per cent. In theory only Preference

I—Portion Assumed Published

Holding	Amount Received
£1,000 2½ per cent. Consols	£13 15
£1,000 3½ per cent. War Loan ...	35 0
100 Ordinary shares in ABC Ltd. ...	5 10
100 " " " XYZ Ltd. (*a*)	5 10
100 " " " PQR (Australian) Ltd.	8 18

(*a*) Net U.K. rate 7/6.

II—Supplementary Information Required

U.K. Tax Refund	True Gross Income	Foreign Tax	Actual Net Income
£11 5	£25 0		£25 0
—	35 0		35 0
4 10	10 0		10 0
3 15	10 0	15/-	9 15
3 12	20 0	£ 7 10	12 10

shareholders are adversely affected by net United Kingdom rates since the benefit of the relief is retained by the company to the advantage of the equity shareholders. Often, however, equity shareholders suffer a loss of income. During the past few years there has been a tendency for net United Kingdom rates of tax to fall and to judge future variations it is well to consider the reasons why. In the first place, the decrease, from January 1, 1952, in profits tax rates transferred more foreign tax to be relieved against income tax and, secondly, foreign taxation, with notable exceptions, has tended to mount, thus increasing the total tax credit relief. The abolition of the unilateral relief restrictions (Section 26 of the Finance Act, 1953) will have similar effects in some instances. Before the investor trapped by net United Kingdom rates rushes to reinvest he should stop a moment to consider not only the relative merits of both old and new securities but the cost of reinvesting. As an illustration, let us assume an investor who receives as his entire income £200 each from five securities, and whose allowances consist solely of a married man's personal allowance. His total net income (after tax is reclaimed on reliefs) will then be £722 and his average tax rate 5s. 6·72d. Thus each investment can be said to bring in £144 8s. net. Now if the total income were made up as in the table below the net income would be as shown.

By switching from security E to security G (with a similar yield, the the net United Kingdom rate being 9s.) the net income becomes: A, £164 5s.; B. £136; C, £111; D, £110; and G., £200; a total of £721 5s., but if security G produced, say, only £150, the total net income would be reduced to £690. The ability to withstand the net United Kingdom rates in the above illustrations is of course on account of the portion of income (£390) taxable at the standard rate. The respective net incomes for an investor receiving £500 per annum in similar circumstances, net United Kingdom rates being as in the illustration, would be £436, and switching would produce only an extra £23 10s. In computing the investor's tax liability in these cases personal allowances and reduced rate reliefs may be used to the taxpayer's best advantage but old age allowance and small income relief must be apportioned *pro rata*. Thus to that extent " old age " and " small income " taxpayers tend to be hit harder by net United Kingdom rates.

The net incomes used above may possibly be challenged on the grounds that they may be misleading. This might seem so when comparing, for example, the net income from security A in the illustration (£185) with the revised net income after switching (£164 5s.), for whilst the total income and allowances remain stable a beneficial switch has resulted in an apparent loss of income. However, this change is in accord with the facts and the chief use of the illustrated statement is to contrast how the individual incomes are affected by the net United Kingdom rates. An additional column " net income-net United Kingdom rate, 9s. throughout," to record the average net income of £144 8s., might clarify the picture.

Double Tax Relief

The investor who ventures into foreign and Dominion equities will require some deeper knowledge of double tax relief. To illustrate the point let us assume that the following dividend has been received from a country with which the United Kingdom has a double taxation convention:

	d. per share
Dividend declared in foreign currency—x units	
Sterling equivalent	31
Less: U.K. income tax @ 4/6 in the £ in the gross amount of the dividend of 40*d*....	9
Net dividend	22*d*.

(The foreign company's rate of tax being 7/6 in the £.)

If such a dividend is received by three shareholders, A, B, and C., whose respective tax rates are 9s., 6s. and 3s., their positions will be as under:

	A		B		C	
	pence per share					
Notional gross dividend (sterling equivalent) grossed at lower of company's or shareholders' rate	49·6		44·29		36·48	
Tax thereon at standard rate	9/–		9/–		9/–	
less: appropriate rate	7/6		6/–		3/–	
	1/6	3·72	3/–	6·64	6/–	10·94
Tax deducted		9		9		9
Repayment due		5·28		2·36	(–)	1·94

A's position may be restated as follows:

True gross dividend...	49·6d.	per share
Foreign tax @ 7/6	18·6	
U.K. income tax @ 1/6	3·72	
	22·32d.	„ „
Net dividend (22d. +5·28d.) ...	27·28d.	„ „

A will be liable to sur-tax on the true gross dividend, 49·6d., less the notional gross dividend 31d. already included for sur-tax purposes.

If the price of such a share is, say, 25s. 10d. the gross yield will be 10 per cent. only to an " investor " suffering no United Kingdom tax, for example, a pension fund. To an investor whose rate is 7s. 6d. or more, for example, A in our illustration, the gross yield is 10 per cent. grossed at 7s. 6d. or 16 per cent. To B and C, the respective gross yields are 14·285 per cent. and 11·765 per cent.

If a dividend is received from a treaty or Commonwealth country imposing on the dividend a " direct " tax (a tax which is not levied on the profits from which the dividend is paid) the sterling equivalent must be grossed at the lower of the company's or shareholder's rate, but the gross amount of

	Net U.K. Rate	Gross Income	Net Income	Personal Allowance	Reduced Rates 6/6	4/–	2/–
		£	£				
A	... 7/6	200	185	£200 @ 7/6			
B	... 6/–	200	161	10 @ 6/–	£100 @ 6/–	90	
C	... 5/–	200	136			60	140
D	... 4/–	200	111				10
E	... 3/–	200	110				
		£1,000	£703	£210	£100	£150	£150

the dividend declared must be included for the purpose of computing the shareholder's rate. Examples are the United States and Canada, which impose a witholding tax; France, which imposes a dividend tax; and South Africa, which imposes a non-residents' tax. If a dividend is received from a non-treaty non-Commonwealth country, for example, Spain, only the "direct" taxes rank for tax credit relief (except where the investor controls the company concerned).

On occasions a dividend is received from a foreign company which has borne United Kingdom tax on part of its income. When this occurs, the shareholder is exempt from income tax —but only from income tax on that proportion of the foreign company's income subjected to United Kingdom tax. The gross income is subject to sur-tax. As an illustration, assume the following dividend is received from a treaty territory:

	United Kingdom portion	Foreign portion	Total
	£ s.	£	£ s.
Gross, say 10 per cent.	25	75	100
less: taxes	11 5	25	36 5
Net	£13 15	£50	£63 15

The computation will be:

Net dividend	£63	15 0
Add: foreign taxes	25	0 0
	88	15 0
(Section 201)		
Less: appropriate fraction—¼	22	3 9
Income chargeable to income tax	£66	11 3
Income tax @ 9/–	£29	19 1
Less: tax credit	25	0 0
Net United Kingdom income tax...	£4	19 1

Alternatively, if the investor elects not to claim treaty relief the position will be:

Net dividend	£63	15 0
Less: ¼	15	18 9
Income chargeable to U.K. tax...	47	16 3
Income tax @ 9/–	£21	10 4

If the price of a £1 share above is 35s. 3d. the yield assuming tax credit relief is claimed will be 6·06 per cent. gross whereas on similarly priced equity shares of a company whose income consisted wholly of United Kingdom income it would be 5·67 per cent. gross.

Finance in Public Administration

VARIOUS ORGANS OF THE NATIONAL PRESS have recently drawn attention to the plethora of conferences this year. It has been noted that many of them are held at popular seaside resorts and in months when the weather is—or should be—attractive and it has been mentioned that some have been orgies of spending. Doubts have been expressed about the value of these conferences.

The recent publication of this slim book* recalls that earlier this year a conference was arranged for the first time in an entirely new field. The Institute of Municipal Treasurers and Accountants organised a conference at Balliol College in March "... to bring together senior representatives of the many forms of national and publicly owned undertakings to discuss, on a common platform, the subject of *The Place of Finance in Public Administration.*" A conference with such terms of reference must immediately have seemed to many to be desirable, for it was bound to stimulate discussion and permit new thoughts and new ideas to be developed on a most important subject. The first reaction of others may have been to doubt whether any useful purpose could be served by bringing together, for a brief 48 hours, representatives of such diverse forms of administration as central and local government services on the one hand and the National Coal Board or the British Broadcasting Corporation on the other. A study of this book reveals that these fears—if they existed—were quite without foundation.

Most speakers seemed to be concerned with at least three common aspects. Firstly, the degree to which finance affects policy or policy controls finance; secondly, the measure of control exercised by the accredited representatives of the community; and, thirdly, the measure of internal financial control which creates the machinery for external democratic control.

Most were in agreement on the first of these points, stressing the importance of integrating financial and general policies, although the means of achieving this end differed according to the form of organisation.

In the opening paper Sir Edward Bridges, the Permanent Secretary to the Treasury, demonstrated how the spending departments maintain a constant link with the Treasury from the earliest stage in formulating projects within the policy framework set up by Parliament. As in central government so in local government: "policy must determine the supply of finance" to quote Sir James Lythgoe, whose plea for the simultaneous consideration of financial and policy aspects has in the opinion of Sir Edward proved to be practicable and successful in the central government sphere.

On the question how far finance should govern policy, Sir James Lythgoe, speaking for local government, said: "finance should guide but not control decisions on policy" and "the approach from the financial angle should, wherever possible, be constructive or positive in the broadest sense, not destructive or negative."

A common thread running through the papers given by speakers representing the nationalised industries was the effect of price discipline in formulating policy and incidentally, more than one speaker referred to the danger of becoming subsidy-minded, Mr. Latham, Director-General of Finance for the National Coal Board, illustrated how the cost of production must be compared

*Finance in Public Administration. Pp. 139. (The Institute of Municipal Treasurers and Accountants, Incorporated. London. Price 10s. net.)

with the price at which demand is effective, in order to demonstrate that finance is frequently important in determining where the public interest lies.

On accountability to the community, control by elected representatives is absolute in the fields of central and local government. Sir Edward Bridges showed that Parliamentary control is effected mainly through the Comptroller and Auditor General and the Public Accounts Committee. One of the functions of the Comptroller is to make sure that no money is paid out of the Exchequer for purposes other than those authorised by Parliament, while the Public Accounts Committee considers the report of the Comptroller regarding wasteful expenditure or any spendings made outside the period covered by the vote or otherwise without due Parliamentary authority and examines officers of the department and of the Treasury regarding any criticisms raised in the report.

Mr. Latham, dealing with the same point, indicated that present methods applying to nationalised industries may be varied because of the findings of the Select Committee appointed by Parliament to examine the problem of accountability. (It has since been announced—see ACCOUNTANCY for August, page 294—that a Select Committee of the Commons is to be set up to investigate the accounts and operation of the nationalised industries.) Under existing legislation the control of finance of the National Coal Board is effected by the Government, who through the Minister of Fuel and Power approve any major capital investment programmes, limiting borrowing and regulating terms of interest as well as of repayment of borrowing. Additionally, the Minister has access to all records and accounts, he can require the accounts to be published in a form approved by him, and he appoints the professional auditors.

Other speakers at the conference indicated the position in regard to various other forms of public administration. While the various aspects of accountability were certainly examined at the conference very closely, much remains to be discussed before the perfect system has been devised. For example, to what extent is it right or proper that the control of finance should be in the hands of elected representatives as opposed to those of the executive who are finally responsible for policy? It may be said that the executive who are represented by the Government in national affairs, or by the majority party in local government, can ensure the implementation of their policy by virtue of numbers, but this position is more assured when the control of finance is vested in the executive as it is in some of the nationalised industries.

Regarding internal accountability there appeared to be some cleavage between local government and other forms of public administration. Sir Edward Bridges made it abundantly clear that the Permanent Secretary of a Government Department is answerable to his Minister for finance as for the general organisation of his department:

> He is responsible for the advice given to the Minister on all matters, whether of policy or administration. He is responsible for seeing that financial questions have been taken into account in all stages in formulating policy; he must be satisfied that all projects submitted for approval are financially sound and that they are economically administered.

The views of those who tended to differ in so far as local government was concerned may perhaps be summarised by the observations of Mr. D. N. Chester of Nuffield College, who said:

> Surely it is the job of the accountant or the treasurer to concern himself with price policy and to play a big part in decisions on it. I doubt whether the difference between the economist and the accountant is merely a difference in terminology; it is to some extent a difference in outlook. The economist in the end is interested in the best use of total resources and I should have thought that the treasurer should also take this wide view of his functions and should be the person to have a very big say in how the total resources are used.

Compared with that view Sir James Lythgoe drew attention to what he described as the danger of over-concentration of responsibility in central finance departments. He said that the aim should be the decentralisation and pin-pointing of responsibility for efficient management at operational level.

Sir Harold Howitt, a Past-President of the Institute of Chartered Accountants, had the difficult task of "summing up" the conference. This he did in a masterly manner. He emphasised the need for the finance officer—by whatever name he is known—to be a strong character, particularly in central and local government where the boss is Parliament or the local council and may be constantly changing. He said the essence of financial control lay in the fair distribution of the common pot and "a recognition of the fact that if it is a pint pot you cannot get more than a pint out of it." That finance, in effect, merely arranges the priorities of man-power and materials to meet the various demands made on them. Sir Harold was definitely in favour of the central government's method of internal accountability. "The Chief Executive must be ultimately responsible. His Finance Officer is his handmaiden, even if at times she has to be very blunt."

In a note it is difficult to review adequately the many important topics raised in papers and in discussions at this conference. Few were privileged to be present but many will study this book with avid interest, with a firm conviction—whatever doubts may have been held at the outset—that this conference at least was worth while and that in organising it the Institute of Municipal Treasurers and Accountants has rendered a real service to administration, to finance and to accountancy. It was a masterly touch to decide upon an independent chairman and in securing Sir Malcolm Trustram Eve to fill that important position, the conference was most fortunate.

Views may differ on the exact place which finance holds in public administration, but its fundamental importance cannot be questioned. Possibly the majority will endorse the views expressed in the conclusions of the paper submitted by Sir Reginald Wilson, member of the British Transport Commission, who said:

> The art of finance ranks in my view with (*a*) the art of selecting the right men and handling them properly and (*b*) the art of public relations in the widest sense. It is finance which acts as midwife at the birth of an enterprise, which watches over its health during maturity, and which sounds the warning knell when decay sets in; it is finance that often forces the final dissolution throughout the life of the enterprise, its shape is fundamentally influenced by decisions which are largely financial. . . . Finance can often be made into a greater and more effective disciplinary force than any administration Diktat and it has the merits of being less obvious and less offenisve. . . . A green bay tree may flourish for a long time but it does not last for ever. Everything has to be paid for in the end, and if the principles of finance and of financial management grind slowly, they also grind small enough to reduce to dust, eventually, any public administration which persistently ignores them.

Accepting such views—and few would question them—can it be doubted that there is scope for further conferences at this level?

H. B.

Courses in Management

We have received a copy of Volume II of *Education and Training in the Field of Management*, published by the British Institute of Management at Management House, 8 Hill Street, London, W.1, price 3s. 6d. net. This volume gives details of courses of up to three months' duration organised by university extra-mural departments, professional and educational bodies, and residential establishments.

A note on Volume I of this work (price 6s.) appeared in our issue of October, 1953, on page 314. Volume I covers courses at universities and technical and commercial colleges, and management subjects in professional examinations. A revised edition will be published in September, 1954.

A Spray of Artificial Roses—I

By ERNEST EVAN SPICER, F.C.A.

Foreword

IT IS CURIOUS TO REFLECT THAT THE professional accountant rarely plays any part on the stage of the writers of fiction.

This is probably due to the fact that most people associate his calling exclusively with those distressing branches of arithmetic embracing "Distraction, Uglification and Derision," which of necessity must be as tedious as tiddley-winks and as heavy as home-made pastry.

In reality the life of the practising accountant is often as colourful as that of the parson, the doctor, the schoolmaster or the lawyer, all of whom loom large in the works of popular novelists.

Whoever heard of an accountant filling an important rôle in a detective story, either as hero or criminal, notwithstanding the fact that the detection of fraud constitutes a not wholly unimportant side-line of his normal business? We can, of course, appreciate the reasons which preclude him from figuring in the latter category, but only abysmal ignorance or lamentable lack of imagination regarding his manifold activities can account for such a complete lack of "heroic" understanding.

The other day we were discussing this interesting question at the luncheon following the annual general meeting of Whiting Bros., Ltd., and someone asked Mr. Greatheart whether he had ever been associated personally with a criminal investigation. His reply that, so far, he had never stood in the dock of the Old Bailey was not regarded as any answer to the question, and in consequence he was pressed to recall some case in which he had assisted in solving a mystery, involving crime.

For some little while he stubbornly refused to "oblige" on the ground that the readers of modern detective stories were satisfied with nothing short of blood, murder, finger-prints and dramatic arrests, all of which were outside the province of the professional accountant.

Eventually, however, Sir Ambrose Whiting submitted a proposal which was accepted. He suggested that Mr. Greatheart might, without any impropriety, give them, for the benefit of readers of ACCOUNTANCY, the story of "The Spray of Artificial Roses," as narrated to him, Sir Ambrose, on September 15, 1922. For the truth of the story he himself could vouch, and although it lacked all the essential attributes of the bookstall "shocker," it illustrated the value of logical reasoning, an important factor in the make-up of a successful professional accountant.

Thus encouraged, Mr. Greatheart gave us an account of the "officially" unsolved mystery, known as "The Wendover Castle Jewel Robbery," which we have ventured to edit in narrative form.

CHAPTER I

On Thursday, July 21, 1921, Charles Montgomery Whiting cast aside legal infancy and assumed the responsibilities of a man.

So important a milestone in the career of one, destined to inherit great wealth and eventually to succeed his father as head of the important banking house of Sigismund Whiting & Co., could not be allowed to pass unnoticed. It must be celebrated in a manner fitting the dignity of his distinguished parent, Sir Montagu Whiting, of Wendover Castle, near Tring, Justice of the Peace, Deputy Lieutenant of the County of Buckinghamshire, Master of the Quanta Hunt, Member of the Royal Yacht Squadron and Hon. Colonel of the East Bucks Light Yeomanry.

Accordingly, an elaborate programme of festivities, covering the best part of a week, was organised, commencing with a grand "coming of age" cabaret dance in the grounds of Wendover Castle, to which over 400 guests were invited.

On the lawn, a huge marquee had been erected with tables to accommodate parties of four, six and eight persons respectively, leaving a large dancing floor in the centre. Bambini's famous band from the Café Majestic was to provide the music and some of the most famous cabaret artistes had been engaged to entertain the guests during the supper hour. Thousands of rose-coloured electric Chinese lanterns converted the grounds into a veritable fairyland, and nothing had been overlooked to render the occasion memorable to all those who were present.

On the day of the "coming of age," the house-party at Wendover Castle was quite small owing to the necessity of providing accommodation for some of the guests, who were coming from a distance, and was thus confined almost exclusively to members of the family. The only exceptions were the Rev. Stephen Collins, who had already been several days at the Castle, and Mr. Charles Greatheart, who was arriving that evening, in time for dinner.

Sir Seymour and Lady Whiting were, of course, invited and were allotted a suite of rooms in the west wing. Sir Seymour was a twin brother of Sir Montagu and was Charles's godfather, and therefore he and Amelia were the chief guests.

The other members of the family staying at the Castle were Sir Ambrose Whiting, Miss Augusta Whiting, Mr. and Mrs. Reynolds Whiting, Col. and Mrs. Lucien Whiting and Mr. and Mrs. Wimpole Whiting.

Sir Seymour and Lady Whiting had come down from London on the day previous, Wednesday July 20, and had arranged to extend their visit till the following Tuesday. Lady Whiting had brought with her a quantity of her finest jewellery, being determined to outshine everybody in splendour. To be perfectly candid, there was in Amelia's make-up just a touch of jealousy, and whenever Sir Montagu presented his Arabella with some glittering trinket, Sir Seymour experienced little peace of mind until he had gone one better.

Amelia's jewel case was in her dressing case, and she carried the keys of both in a little pocket, cunningly constructed in her corset.

Sir Seymour, unhappily, was unable to bring with him his own personal valet, Johnson, who had met with an unfortunate accident and was still being treated in St.

George's Hospital. He had managed, however, to persuade his cousin, Sir Wolverton Whiting, to "loan" him his valet, Ellis, for ten days.

Ellis, who had arrived early that morning at Upper Grosvenor Street, had looked after Sir Seymour when shooting with Sir Wolverton in Scotland, and thoroughly understood his little peculiarities. It was thus an admirable arrangement and Sir Seymour was delighted that he had been able, at comparatively short notice, to obtain so excellent a substitute for the stricken Johnson.

Amelia's French maid, Césarine, had also been *hors de combat* for a week and was unable to travel on the Wednesday. It was arranged, however, that she should follow the next day. The poor girl had been suffering from toothache and the dentist had fixed an appointment for 4 o'clock that afternoon. As Césarine always developed a bad headache after visiting the dentist, Lady Whiting had very thoughtfully suggested that she should spend the greater part of the next day in bed and catch the fast train leaving London at 6.20 p.m. Mr. Greatheart was catching this train and she had asked him to be so good as to look out for Césarine at the station and to look after her on the journey.

In the meanwhile Lady Arabella Whiting had generously offered to place Perkins, her head maid, at Amelia's disposal, until Césarine was able to resume her duties.

On arrival at Wendover Castle shortly before 4 p.m., Amelia put her dressing case in the wardrobe, and leaving Perkins to unpack the rest of her luggage, joined the other guests in the garden, where tea was being served. Thus it was not until 6.30 p.m., when she went to her room for a short rest, prior to dressing for dinner, that she unpacked her dressing case.

As it was to be a very quiet evening in anticipation of the dance on the following day, she decided that she would not wear any of her special jewellery. In consequence, she did not trouble to unlock her jewel case, but having handed to Perkins the contents of the dressing case, with the exception of a small parcel containing money gifts for the staff at Wendover Castle, she relocked it and once again placed it in the wardrobe.

On the following day, Sir Seymour decided to distribute the largess to the staff shortly after tea, and so he and Amelia withdrew to their private suite, it being arranged between them that he should deal with the male staff, leaving Amelia to interview the housekeeper and the maids.

The small parcel which Lady Whiting took from her dressing case contained fifteen blue-tinted envelopes, on each of which was typed the name of the intended recipient and the money value of the gift. Amelia retained seven of these envelopes and handed the remaining eight to Sir Seymour. She then returned to her own room, having handed to Perkins her present, requested her to ask Mrs. Hellson, the housekeeper, and the other maids to come and receive theirs.

As the occasion was one of unusual importance and the gifts exceptionally generous, Amelia decided, when making the presentations, to address a few gracious words, not only to Mrs. Hellson, but also to each of the maids. Thus the ceremony occupied nearly half an hour.

In the meanwhile, Sir Seymour had sought out his nephew Charles, and, having shaken him warmly by the hand and wished him the best of fortune, handed him an envelope marked as containing a cheque for £1,000.

On returning to his room he instructed Ellis to inform Hawkins, the butler, that he wished to see him and that the other members of the male staff were to follow in order of precedence.

As Ellis was leaving the room, Sir Seymour chanced to observe the Rev. Stephen Collins slowly passing along the corridor leading to his room.

Now, it was generally understood by members of the Whiting family that, on all important occasions, Mr. Collins should receive an honorarium—in £1 notes—for blessing the food which they were about to receive. Sir Montagu alone refused to recognise this unwritten law, arguing that if he gave Mr. Collins a first-class dinner, he failed to see why he should pay him for eating it.

Sir Seymour, knowing his brother's idiosyncrasy in this matter and realising how keenly Mr. Collins would resent any departure from the established practice, decided to assume the liability himself, and in consequence had instructed his secretary in London to include in the parcel containing the gifts an envelope bearing Mr. Collins name and marked with figures denoting the pleasing sum of twenty guineas.

When, therefore, he saw Mr. Collins passing along the corridor, he hastened after him, and thrusting the envelope into his outstretched palm, excused himself for taking so great a liberty, on the ground that his brother Montagu was apt to be a little hesitant in matters calling for delicacy of approach.

Hawkins, the butler, received his present with that dignified deference peculiar to his class, and ventured to offer his personal congratulations to Sir Seymour on the coming of age of his nephew. The chef, two footmen, the valet and the chauffeur followed the butler and each received his envelope with unfeigned satisfaction.

Scarcely had the last of them left the sitting room, when Sir Seymour was alarmed to hear a loud cry issuing from his wife's room, and rushing to her assistance discovered Amelia seated at her dressing table, in a very agitated condition, clasping an empty jewel case in both hands.

Perkins was standing by her side, looking so terrified and pale that Sir Seymour confidently expected to see her collapse in a faint at any moment; but, pulling herself together with an effort, she explained that on unlocking the jewel case, Lady Whiting had discovered that all her jewellery was missing.

Sir Montagu was hastily summoned, and having satisfied himself, beyond a doubt, that the jewels had in fact been stolen, telephoned to the police at Aylesbury.

The news of the robbery spread rapidly through the Castle and within an astonishingly short while the entire house party, with the exception of Mr. Greatheart, who was not expected until 8 p.m., had assembled in the hall and were eagerly discussing the details of the crime, without really knowing very much about it.

The question was raised whether there was any action which they ought to take or might be expected to take, pending the arrival of the police, to prevent the escape of the criminal, and to further the ends of justice.

The Rev. Stephen Collins was the first to make a suggestion. He urged, as a precautionary measure, that Sir Seymour's temporary valet, Ellis, should forthwith be placed under lock and key, and that similar treatment should be meted out to Lady Arabella Whiting's maid, Perkins.

Arabella, on hearing this latter proposal, turned on Mr. Collins so fiercely and was so severe in her remarks, that for one brief moment the reverend gentleman quite thought that it was Mrs. Collins who was addressing him, rather than the wife of his churchwarden.

Mrs. Reynolds Whiting expressed the view that, with the object of preventing any of the staff from leaving the Castle, all the doors leading to the grounds should be locked and the keys deposited with Sir Montagu. This proposal, however, was bitterly opposed by Miss Augusta Whiting, aged 87, who enquired what would happen to them all should a fire break out in the Castle at a moment when Sir Montagu was in the marquee receiving his guests?

Mrs. Lucien Whiting (lucky Lucy) remarked that those to whom the rôle of amateur detective appealed, might start their operations by searching for the jewels in the coal cellar or Mr. Collins' bedroom or some equally likely hiding place, but for her part she felt that a quiet rubber of bridge would be the most pleasant way of employing the time.

Sir Ambrose, who only played cards for love or chocolate creams, recommended that, before taking any positive action which might possibly land them into trouble or cause confusion, they should wait patiently until Mr. Greatheart was present and able to advise them.

After some little argument, this negative advice was accepted, and when at length Mr. Greatheart entered the hall and had been given a very incoherent account of the robbery—everybody attempting to tell the story at the same time from a different angle—he proposed a course of action which was so obviously sound, that the only wonder was that nobody else had thought of it.

He recommended that Sir Montagu should request the chef to advance the dinner hour as much as possible within the limits of culinary prudence, so that they might all be nourished, prior to the arrival of the representatives of the Criminal Investigation Department, and thus fortified to undergo examination at their hands.

Césarine, who had arrived at the Castle with Mr. Greatheart, rushed upstairs to Lady Whiting's room immediately she heard about the robbery. There she found Amelia, only partially dressed, sitting at her dressing table gazing into the mirror in a half-dazed condition, while Perkins was seated on a chair by the wardrobe, looking first at the empty dressing case and then at the empty jewel case and then shedding a few tears to relieve her feelings.

Césarine did her utmost to console Lady Whiting and begged to be allowed to fasten her wonderful ball dress, but when she learned that the beautiful tiara had been stolen, with the other ornaments, she too sat down and had recourse to the pocket handkerchief.

Eventually, having dried her eyes, Césarine managed to complete Amelia's toilet, and after telling her that whether she wore jewellery or not, she would always be the most distinguished lady in any company, persuaded her to go down to dinner and to rely on the police to recover the lost property.

At exactly 9 p.m. Inspector Forrester, of Scotland Yard, accompanied by two plain clothes subordinates and two uniformed constables, drove up to the Castle, and was at once shown into the library.

Sir Montagu, having introduced his brother, gave the Inspector a brief account of the facts of the case, as known to him, and then led the way into the suite of rooms occupied by Sir Seymour and Lady Whiting.

The empty jewel case and the dressing case were examined to ascertain whether there had been any tampering with the locks, and after a careful search of all the rooms, the Inspector, with one of his subordinates, returned to the library with the object of questioning the individuals whose evidence might prove helpful.

At the suggestion of Sir Seymour, Mr. Greatheart was invited to represent the family throughout the proceedings and to make such notes as he might deem essential, for a clear understanding of the position. This proposal, having been readily accepted by Inspector Forrester, a message was sent to Amelia to the effect that—if quite convenient—the Inspector would like to open the investigation by hearing her evidence.

He informed Lady Whiting that in a case of this nature it was of the utmost importance to get at the facts and therefore he hoped she would not take it amiss if he interrupted her narrative to ask questions and to obtain further information on matters of detail which, quite possibly, she might regard as of little consequence. The great point to remember was that valuable pieces of jewellery had disappeared and the object of the inquiry was to ascertain how, when and where and by whom they had been stolen.

Lady Whiting's evidence therefore was not actually one continuous narrative, as might be imagined from Mr. Greatheart's note, which we reproduce. It gives, however, a very accurate picture of the substance of what she said, ignoring repetitions and irrelevances.

LADY AMELIA WHITING'S EVIDENCE

"Sir Seymour and I are naturally very much attached to our nephew Charles, and therefore we were delighted to accept Sir Montagu's invitation to spend the best part of a week at Wendover Castle on the occasion of the "coming of age" celebrations.

As we were likely to meet important representatives of the neighbouring aristocracy, I felt, in duty bound, to bring with me some of my more valuable jewellery, which, when not in use, is deposited for safe custody at Coutts' Bank. After discussing the matter with my husband, I decided to bring with me my diamond tiara, my diamond rivière, my pearl necklace and earrings, my emerald and diamond bracelet, three valuable brooches, five rings and several other ornaments.

All my jewellery is insured at Lloyds and Sir Seymour can obtain exact particulars of the pieces which have been stolen.

Shortly after breakfast yesterday morning, Sir Seymour drove to the bank to collect the jewellery and to get the money which we had decided to distribute among the staff at Wendover Castle, to celebrate the great occasion.

He was busy with his secretary, Miss Foster, putting this money into the envelopes bearing the names of the individual servants, in accordance with the list which Sir Montagu had, at our request, supplied, and it was not until shortly before 1 o'clock that he came up to my room with the jewellery and assisted me to fit it into my jewel case. He also handed to me the small parcel containing the money gifts. I locked the jewel case and placed it, together with the small parcel, in my dressing case.

This I did in the presence of Sir Seymour.

Césarine, of course, withdrew as my husband entered the room, and went to attend to her own packing. She never touched the jewel case or the dressing case, and I am absolutely certain I never left the room myself for a single instant, until the car arrived to take me to the station.

I had a light lunch served in my room, and after I had satisfied myself that I had packed everything I needed in my dressing case, I locked it and placed the key, together with that of the jewel case, in a special pocket which I had had constructed in my corset for this very purpose. The two keys were attached to a small silver key-ring.

Césarine then assisted me to complete my toilet, by which time the car had arrived to take me to the station.

My dressing case contained my usual things for the night, my toilet requisites and a few other necessaries which I always carry with me when travelling, all of which are in my room at the present moment.

Apart from the jewellery, nothing is missing, although I thought I had packed a spray of artificial roses and a small roll of cotton wool. I certainly intended to do so, for I remember asking Césarine to get them for me and she remembers handing them to me. They are of no value, however, and the matter is of no importance.

Nobody could possibly have got at the keys either during the day or at night. During the day they were in my pocket, which even I could not get at without partially undressing, and during the night I had them tied round my wrist.

When the car arrived yesterday afternoon at 2 o'clock to take me to the station, Césarine, despite a severe toothache, insisted on accompanying me and carried the dressing case downstairs. She placed it on the seat beside me and then took her place next the chauffeur.

On reaching the station, Osborn the chauffeur handed the dressing case to Césarine. I bought a copy of *Punch* at the bookstall and then went to the barrier of the platform, where I was met by Ellis with my ticket. He had left for the station some ten minutes ahead of us to attend to the main luggage, and Sir Seymour had also gone in advance to get the tickets and to secure an empty compartment.

Ellis relieved Césarine of the dressing

case and, having placed it on the rack immediately above the seat occupied by Sir Seymour, went to find a seat for himself in some other compartment.

Césarine then left us, as I did not wish her to keep Osborne waiting about too long, besides which, I did not think it wise for her to stand about in a draughty station.

On arrival at Tring station, Ellis put the dressing case in the car, which Sir Montagu had sent to bring us to the Castle, and then left to attend to the luggage.

I did not open the dressing case until I went up to dress for dinner that evening at about 6.30 p.m. I then unpacked everything, with the exception of the jewel case and the small parcel containing the gifts for the staff and others, and handed the various articles to Perkins. Having relocked the dressing case, I replaced it in the wardrobe.

I did not unlock the jewel case because I had no intention of wearing any of my special jewellery that evening. We were quite a small party and were dining early.

The robbery may, as you say, have taken place yesterday, but, as you will readily realise, such a thought never entered my head. The theft was not discovered until about 6.15 p.m. this evening.

I came upstairs shortly after tea, as Sir Seymour felt that would be the most convenient time to distribute our presents. I thereupon unlocked my dressing case and took out the small paper parcel, untied the ribbon with which it was fastened, and handed to Sir Seymour eight of the fifteen envelopes, retaining the remaining seven myself. I gave Perkins her present and then sent her to fetch Mrs. Hellson, the housekeeper, and the other five maids.

This little ceremony occupied about half-an-hour, after which I decided to take a short rest on my bed before dressing for dinner. Prior to doing so, however, I unlocked my jewel case, with the intention of consulting Sir Seymour's wishes as to the jewellery I should wear at the dance, when to my horror and amazement I found it to be completely empty, and all the jewellery gone.

I cannot imagine how the thief managed to get at the jewels, nor can I offer any suggestion as to the identity of the thief.

Césarine has been my personal maid for over seven years and I could not ask for a better. She is, I am sure, absolutely honest and truthful, and she is certainly very capable and most reliable. She came to me shortly before the outbreak of hostilities in the year 1914 and her references were excellent. Mrs. Loftus, an American lady, spoke very highly of her and was very sorry to lose her. She had offered to take her with the family to New York, but when Césarine hesitated she had not pressed the matter because she had noticed that her son Louis was attracted by the French accent, which often appeared to be more pronounced when he chanced to be in the room.

Césarine is an orphan, Alsatian by birth, and therefore speaks German as fluently as she does her native French. She knows the Continent well and is simply invaluable to Sir Seymour and myself when travelling abroad. I pay her a salary of £240 p.a., but of course she gets a good many tips, one way and another, during the year. She has, I believe, a brother, who lives in Strasburg, and although I have seen his photograph in Césarine's room, I have never actually met the man.

What her views on men may be I have no idea, but I fancy she regards herself as very superior to the ordinary occupant of the servants' hall.

Of one thing I am certain. She never gossips. She reads a good deal and her standard of general education is far above the average.

As to Ellis, he is Sir Wolverton Whiting's valet, and I know nothing about him. I believe Sir Seymour thinks very highly of him."

SIR SEYMOUR WHITING'S EVIDENCE

Sir Seymour confirmed Lady Whiting's evidence, in so far as it dealt with his own movements.

He explained that Ellis was not his own servant and that he had "borrowed" him from his cousin, Sir Wolverton Whiting. He knew that Sir Wolverton regarded him very highly and treated him with marked favour as an old and loyal retainer. Ellis had certainly looked after him in Scotland in a very admirable way, and he could not, and would not, believe for one moment that he was in any way mixed up in this wretched business.

As to Miss Foster, his secretary, she had been in his service for so many years, and had made herself so useful to Lady Whiting, that she had come to be treated as a friend of the family. She was perhaps a little jealous of Césarine, but that was only natural, having regard to her long association with the family. The idea that she could in any way be connected with the loss of the jewellery was too fantastic to warrant even a moment's consideration.

The jewellery was insured at Lloyd's, but not above its market value. The world would undoubtedly regard him as a wealthy man, but he was not nearly so rich as his brother, Sir Montagu.

He was completely baffled by the robbery and could not conceive how the thief could have got at his wife's jewel case.

There had been, of course, a great many people in and out of the Castle, during the past week or so, in connection with the coming-of-age celebrations, and it was possible that one of them might have found his way into Lady Whiting's bedroom.

A much more probable solution was that he and Lady Whiting had been followed from London by expert thieves, who had guessed that Lady Whiting would bring valuable jewellery with her.

All his servants in Upper Grosvenor Street had been with them for years, several for many years, and he could not believe that there had been any leakage in that direction.

CÉSARINE'S EVIDENCE

Césarine entered the library looking a trifle pale and nervous, but nevertheless gave her evidence calmly and clearly, only occasionally breaking into a torrent of French when the Inspector pressed her, perhaps a little unfairly, for more exact answers to his questions.

She informed him that she had arrived at the Castle that evening with Mr. Greatheart about 8 p.m.

She had been suffering from toothache for the past few days, but yesterday afternoon the dentist had, at last, stopped the tooth and she was now free from pain.

As soon as she heard of the robbery, she ran upstairs to do what she could to comfort Lady Whiting in her terrible distress, and had eventually succeeded in persuading her to go down to dinner. She had had a meal in the servants' hall and she assured the Inspector that they all hoped he would soon find the jewellery and arrest the thief.

She gave a detailed account of how she had packed all Lady Whiting's belongings with the exception of the dressing case, which Lady Whiting had insisted on packing herself. It contained the usual things which she always took with her when she went away from home. She, Césarine, handed each article to her to pack in the proper order. When she said "the proper order" she meant the order according to a list, which, with Lady Whiting's help, she had prepared years ago. It was most important that nothing should be forgotten and it was dangerous to trust to memory. Of course, Lady Whiting might decide to add to her normal requirements, but it sometimes happened that the dressing case had to be packed in her absence, in which case she, Césarine, knew exactly what must be packed.

Johnson had once forgotten to pack Sir Seymour's dress tie, and he had been forced to borrow one from a servant. This had been a lesson to her, which she had never forgotten.

She remembered quite well handing to Lady Whiting the artificial roses and the cotton wool, but had not actually seen her put them in the dressing case. They might have been left behind on the side table or on the bed.

About ten minutes after Lady Whiting had finished packing the dressing case, Sir Seymour entered the room with the jewellery and a small paper parcel. She, Césarine, had withdrawn immediately to attend to her own packing and to get some lunch, and thus had not actually seen any of the ornaments. To the best of her knowledge they were in some sort of box, but Sir Seymour could tell him about this. She returned to assist Lady Whiting to fasten her dress just before the car arrived.

She knew that Lady Whiting was taking some of her jewels, including her beautiful tiara, because she had told her that, as she was going to meet a Duke and a Duchess, she must wear it. Moreover, she had taken out her jewel case from the drawer in the dressing table.

She knew nothing about the paper parcel which Sir Seymour had handed to Lady Whiting, but she had guessed that it might contain presents for the staff, because Lady Whiting had given her a present of £10, to celebrate Mr. Charles Whiting's " coming of age," that very morning.

When the car arrived to take Lady Whiting to the station, she carried the dressing case downstairs and gave it to Osborn, the chauffeur, to put into the car. She might have put it in herself, but as Osborn was standing at the door of the car, she felt pretty sure he had done so.

On arriving at the station, she had carried the dressing case to the barrier of the platform, where Ellis was waiting for them. He took it from her and put it in the carriage in which Sir Seymour was sitting. Lady Whiting had bought a copy of *Punch* at the bookstall, because in the hurry of leaving she, Césarine, had stupidly forgotten to bring the one which had been delivered at the house that morning. She knew that Sir Seymour wanted to look at it in the train and feared that he would be vexed with her if he knew she had forgotten it.

After the train had left, Osborn drove her back to Upper Grosvenor Street, where she had remained till it was time to go to the dentist. Following Lady Whiting's suggestion, she had spent the morning in bed. In the afternoon, being quite free from toothache, she had gone for a walk in the park.

Mr. Greatheart met her at the station and insisted on her travelling in the same carriage with him. They drove from Tring Station to the Castle in Sir Montagu's car.

In reply to the Inspector's question regarding her life history, she stated that she had looked after her father in Strasburg till he died in the year 1912. Her brother, who still lived in Strasburg, had offered to provide a home for her, but she preferred to be independent and, moreover, was not very fond of her sister-in-law. Before entering Lady Whiting's service, in March, 1914, she had been lady's-maid to an American lady, who at that time was living at Cannes in the South of France. She left her because she did not wish to live in New York.

Mrs. Loftus had always been very kind to her, and sent her a present every Christmas.

Ellis, Sir Seymour's temporary valet, was the next to be summoned to the library, but just after he had entered the room, Sir Montagu appeared at the door and informed the Inspector that he had important news, bearing on the case, which he must communicate to him without a moment's delay.

Ellis thereupon withdrew and his place was taken by Hawkins, the butler, who held thirteen blue-tinted envelopes in his left hand, each bearing the name of a member of the staff.

Sir Montagu explained that about 5.30 p.m. that afternoon, Sir Seymour and Lady Whiting had distributed gifts to the members of the staff to celebrate his son's coming-of-age. These presents were enclosed in blue-tinted envelopes, which Lady Whiting had brought down with her from London in her dressing case.

When, however, the envelopes were opened by the servants, it was discovered that they contained nothing but blank sheets of paper, cut to the size of £1 notes.

Nor was that all. When Rose, one of the housemaids, went to turn down the beds and to pull down the blinds in the various bedrooms, she had found five further blue-tinted envelopes stuffed under the pillow on Mr. Collins' bed, four of which bore the names of members of the staff, while the fifth was addressed to Mr. Collins himself. She at once reported the matter to Mrs. Hellson, the housekeeper, who, in turn, informed Hawkins, the butler.

After Hawkins had handed over the thirteen envelopes, Sir Montagu led the way to Mr. Collins' bedroom, followed by the Inspector and Mr. Greatheart, with Hawkins bringing up the rear.

There, sure enough, under the pillow nestled five blue-tinted envelopes, each bearing the name of the donee and a figure indicating the value of the notes enclosed.

Thus, as far as four members of the staff were concerned, there were duplicate envelopes, one included among the thirteen collected by Hawkins from the servants and the other found under the pillow on Mr. Collins' bed.

It was obvious, therefore, that the thief had taken from Lady Whiting's dressing case, not only her jewellery, but also the small parcel which contained the presents, and had put back into the dressing case a substitute parcel, containing a similar number of blue-tinted envelopes, in which blank sheets of paper, instead of bank notes, had been inserted.

Further, it was clear that the five envelopes which had been found under Mr. Collins' pillow formed part of the original batch of fifteen envelopes containing the money, which Lady Whiting had brought with her from London in her dressing case.

Having reached these conclusions, the Inspector requested Hawkins to find Mr. Collins and beg him to come immediately to his room.

Some little while elapsed before Mr. Collins could be found amongst the guests scattered about the grounds and in the crowded marquee, but when he entered his bedroom and encountered not only the Inspector, but also Sir Montagu and Mr. Greatheart, he naturally jumped to the conclusion that some further crime, infinitely more serious than the theft of Lady Whiting's jewellery, had been discovered, involving a sacrilegeous attempt on his own personal belongings.

Without waiting, therefore, for any explanations, he rushed to his suitcase, which he unlocked, and having withdrawn from the toe of one of his carpet slippers, a small leather notecase, anxiously examined its contents. Finding everything intact, including the blue-tinted envelope which Sir Seymour had thrust upon him in the passage that afternoon, marked as containing £21, he sank back into an easy chair with a sigh of relief.

When, however, the Inspector informed him that in addition to Lady Whiting's jewels, Sir Seymour's generous gifts had also been stolen, and that the thief had cunningly substituted envelopes containing blank slips of paper in place of the original ones containing bank notes, Mr. Collins exhibited pronounced agitation and hastily withdrawing the leather notecase from the inside breast pocket of his dress coat, where he had put it a moment before, tore open the blue-tinted envelope.

It is quite impossible to express in words the look of horror with which he gazed upon the slips of paper which he withdrew from the envelope. For the moment he was bereft of the power of speech, but quickly recovering his mental balance, he sprang from his chair and fixing a piercing eye

on the Inspector, said, in a voice choked with emotion, " The money must be recovered and the thief punished with all the rigour of the law."

The Inspector then informed Mr. Collins that the envelope which originally had contained Sir Seymour's present to him, together with four others, intended for members of the staff, had been discovered, and, without raising his voice, enquired whether he could offer any explanation as to how these five envelopes came to be found under his pillow.

At first Mr. Collins thought the Inspector was joking and was very angry, but when the pillow was removed and he saw the blue-tinted envelopes with his own eyes, he collapsed on the bed, declaring that he was the victim of a most monstrous and damnable conspiracy.

Sir Montagu did his utmost to sooth Mr. Collins' agitation by assuring him that in no possible circumstances could any breath of suspicion rest upon him, and was so far successful as to persuade him to be assisted to an easy chair.

Unhappily, Sir Montagu's well-intended efforts were completely stultified, as a result of a very ill-timed utterance on the part of the Inspector, who expressed the view that it was his duty, purely as a matter of form, to examine the contents of Mr. Collins' suitcase and to search the room.

So greatly did Mr. Collins feel the innuendo underlying these words and so terrible was his righteous wrath at the implied insult, that Sir Montagu, fearing the worst, bade Hawkins to seek out Dr. Livermore from among the guests at the dance and bring him, without an instant's delay, to Mr. Collins' assistance.

Notwithstanding that gentleman's pitiable condition, the Inspector insisted on examining the contents of the suitcase, and having reverently removed a top layer of clerical undergarments, withdrew from the lower depth a red leather writing case, which, on being opened, was found to contain some blue-tinted writing paper with envelopes to match.

At first glance, the envelopes appeared to be identical with those discovered under Mr. Collins' pillow, but a closer examination revealed the fact that they were just a shade larger, and that the quality of the paper was undoubtedly inferior.

The Inspector was on the point of replacing the writing case in the suitcase, when his eye was attracted to the blank sheets of paper, which Mr. Collins had let fall on the floor beside the armchair in which he was reclining. Stooping down he picked up the envelope, which was lying beside them, and compared it with those in the writing case. It proved to be identical in size, colour and quality of paper.

The envelopes, which Hawkins, the butler, had collected from the staff were then carefully examined and these also were found to be identical with those in Mr. Collins' writing case.

What could be the meaning of this most unexpected development?

Mr. Collins was clearly in no fit condition to be cross-questioned further that evening and as Dr. Livermore—who took a very grave view of his patient's condition—was convinced that a complete nervous breakdown could be avoided only by everybody withdrawing from the room, leaving him to put Mr. Collins to bed and administer a powerful sedative, the Inspector decided to close the investigation for the night and to resume it at 10.30 a.m. the following morning.

(To be concluded)

The Finance Act, 1954, and Estate Duty

THE FOLLOWING IS A SUMMARY OF THE important changes made by the Finance Act, which came into force on July 30, 1954. They apply to deaths on or after that date.

Business Assets: Rate of Duty

Where a business (other than a profession or vocation or one not carried on for gain) or an interest in such a business passes on a death, estate duty in respect of industrial hereditaments (see below) used in and occupied for the purposes of the business or in respect of machinery or plant so used, is chargeable at rates reduced in each case by 45 per cent. The treatment is like that of the agricultural value of land.

If, therefore, a business owner dies leaving property aggregating £40,000, the rate appropriate to which is 24 per cent., only 13·20 per cent. will be payable on the industrial hereditaments and plant and machinery of the business.

The relief applies to shares valued under Section 55, Finance Act, 1940, on an assets basis; the relevant proportion (see below) of the net value of the shares or debentures attracts the relief. Similar relief is given to a company engaged in agriculture or forestry in respect of the agricultural value of land occupied by the company for the purposes of husbandry or forestry; if part only is used for these purposes, a just apportionment must be made.

In charging shares with Estate Duty, under Section 55:

the " relevant proportion " of the net value of shares or debentures refers to such part of that value as is attributable to the value of any of the following:—

(*a*) industrial hereditaments used in and occupied for the purposes of the company's business and machinery and plant so used;

(*b*) shares in or debentures of a subsidiary of the company in so far as their value is attributable—

(i) to the value of industrial hereditaments used in and occupied for the purposes of the business of that or any other subsidiary of the company, or of machinery or plant so used; or

(ii) to the value of any interest a subsidiary of the company has as lessor in property let to the company by the subsidiary and consisting either of industrial hereditaments used in and occupied for the purposes of the company's business or of machinery or plant so used;

(*c*) any interest the company has as lessor in any property let by the company to a subsidiary of it and consisting either of industrial hereditaments used in and occupied for the purposes of that

subsidiary's business or of machinery or plant so used.

Where the relief applies to shares in or debentures of a company passing on a death it also applies to any interest of the deceased as lessor in industrial hereditaments used in and occupied for the purpose of the company's business or in machinery or plant so used.

Where Section 46, Finance Act, 1940, applies, estate duty is to be charged at the relieved rates in respect of the company's assets in so far as they fall within paragraphs (*b*) and (*c*) above.

In the case of machinery or plant not used exclusively in the business, the relief is such part only as the Commissioners of Inland Revenue consider to be just and reasonable having regard to all the relevant circumstances of the case and, in particular, to the extent of any other use (whether for business purposes or not).

Land or premises used in a business are treated as an industrial hereditament if they are so treated for purposes of valuation for rating or, in the case of land or premises outside Great Britain, would fall to be so treated if situated in England. In the case of land or premises occupied and used partly for industrial purposes and partly for other purposes, the value is apportioned.

The relief does not apply—

(*a*) to a business for the sale of which a binding contract has been entered into, other than a sale to a company formed for the purpose of carrying it on made in consideration wholly or mainly of shares in that company; or

(*b*) to the business of a company with respect to which a winding-up order has been made, or which has passed a resolution for voluntary winding-up (unless only with a view to a reconstruction or amalgamation), or which is otherwise in process of liquidation (unless only with that view);

nor to assets used in any such business, or shares in or debentures of any such company.

Control for Section 55

The asset basis of valuation is now to apply only in the following cases:

(1) Where the deceased had the control of the company at any time during the five years before his death otherwise than in a fiduciary capacity (the other sub-sub-Sections of sub-Section (1) of Section 55 are repealed); or

(2) Provided the conditions set out in (i) or (ii) below are satisfied, and—

(*a*) The deceased had powers equivalent to control during a continuous period of two years falling within such five years; or

(*b*) During any such two years, the dividends declared by the company and the interest accruing due on debentures of the company are, to the extent in the aggregate to more than one-half of the total dividends and interest, "benefits" of the deceased under Sections 47 and 48 (1940) (or would be benefits if the deceased had transferred property to the company); or

(*c*) At any time in the five years, the deceased (and no other person) had a beneficial interest in possession in more than half the nominal value of the shares or debentures of the company (or in both). For this purpose, a joint holding is split, and "debenture" excludes a temporary loan not being one of a series by the same person, and either repaid within two years of its being made, or made within two years of the death.

The conditions referred to above are: either

(i) that immediately after the deceased's death a person having control or powers equivalent to control of the company, either alone or in conjunction with his relatives, has a beneficial interest in possession in the shares or debentures; or

(ii) that immediately before and after the death the shares or debentures are held by the trustees of some trust who then have control of the company by virtue of shares in or debentures of the company held by them as such trustees. Under (ii) shares held in a fiduciary capacity are therefore taken into account.

It is provided, however, that in the case of shares or debentures falling to be valued by virtue of a gift *inter vivos* made by the deceased, or by virtue of a disposition or determination (in relation to which Section 43, Finance Act, 1940, applies) of an interest limited to cease on the death, the above conditions do not apply. There is substituted the condition that immediately after the death or at any previous time since the gift, or disposition or determination as the case may be, the donee or person entitled under the disposition, etc., has or had control or powers equivalent to control of the company, either alone or in conjunction with his relatives. "Relative" means husband, wife, ancestor, lineal descendant, brother or sister.

In determining for the purposes of (i) and (ii) above (and also for the purposes of gifts *inter vivos* to employees, etc. (see below)), whether a person had at any time control, or a beneficial interest in possession,

(*a*) if he (and his relatives, if any) is entitled under a trust to not less than 90 per cent. of the income from the shares or debentures, he (and his relatives) are treated as able to control the trustees, etc.

(*b*) shares and debentures are treated as vesting immediately in the legatees or persons entitled in intestacy;

(*c*) The Commissioners may disregard any limited interest in shares or debentures and any voting rights of Preference shareholders which do not materially affect control.

Other Amendments of Section 55

If shares or debentures falling to be valued under Section 55 are sold within three years after the death by the persons accountable for the estate duty or by the persons to whom they pass on the death, and the Commissioners of Inland Revenue are satisfied:

(*a*) that no person interested in the sale proceeds is a relative of a person interested in the purchase; and

(*b*) the sale was at arm's length; and

(*c*) the sale price (duly adjusted for differences in circumstances since the death) was less than the Section 55 value;

then the adjusted sale price will be substituted for the value.

Section 55 is not to apply to the valuation on a person's death of any shares or debentures comprised in a gift *inter vivos* made by the deceased, if it is shown to the satisfaction of the Commissioners of Inland Revenue:

(*a*) that the shares or debentures were given absolutely to a person who was or had been in the employment of the company, or to the widow or orphan of such a person, and the donee was not a relative of the deceased; and

(*b*) that *bona fide* possession of the shares or debentures was assumed by the donee immediately upon the gift and thenceforward retained to the entire exclusion of the deceased and of any benefit to him by contract or otherwise; and

(*c*) that the donee did not have control or powers equivalent to control of the company either alone or in conjunction with his relatives immediately after the death or at any previous time since the making of the gift.

In arriving at the net assets for the purpose of either Section 46 or Section 55, there may be treated as a liability any taxation that arises or may arise after the death referable to income or profits accruing before the death.

If shares or debentures valued under

Section 55 have to be valued again under the Section on a death within five years of the first, quick succession relief applies, provided that on both deaths the value is wholly or partly attributable to the value of land of the company or a subsidiary or to the value of assets used by the company or a subsidiary in a business not consisting mainly in holding of or dealing in investments other than land. If only part is so attributable, the relief applies to the duty on the part of the value.

Where a company alters its share capital by sub-dividing shares into smaller units, or by consolidating and dividing into larger units, the above amendments apply to shares derived by those means from the original shares of the same class which fell to be valued under Section 55 on a death occurring before the alteration of capital as if the old and new shares were the same. Bonus shares are also treated as if derived from the original shares by sub-division.

Rates of Estate Duty

These were set out in our last issue (page 310).

Aggregation

The relief from aggregation of settled property with other property passing on a death is now to apply where the other property does not exceed £10,000 instead of the former £2,000. Marginal relief applies. Settlements made by the deceased or at his expense or out of property of which he has been competent to dispose and has disposed, or which devolves as assets for payment of his debts, do not come within the relief.

Life Assurance Policies

Where there pass on a death policies of assurance on the deceased's life in which he never had an interest (or moneys received under such a policy, or interests in such a policy or moneys) the values of any such life assurances or interest therein to which any one person is absolutely entitled after the death (otherwise than by virtue of a purchase for consideration in money or money's worth) are to be aggregated with each other to find the rate of duty payable on them.

Any other policies in which the deceased never had an interest are to be aggregated among themselves to find the rate payable on them.

There is to be left out of account any life assurance in respect of which estate duty is not payable on the death. Any mortgage or charge on a policy is disregarded.

Taxation Notes

Deduction of Tax from Dividends

Section 184 of the Income Tax Act, 1952, allows a company to deduct income tax from dividends paid out of profits or gains which have been charged to tax or which, under the Acts, would fall to be included in computing the liability of the company to assessment to tax for any year if the computations had to be made by reference to the actual profits or gains of that year and not by reference to those of any other year or period. Is this a reference to profit before or after deduction of capital allowances? The better opinion seems to be that it is before such deduction. This view is based on the reference to "profits . . . which would fall to be included in computing the liability . . . to assessment . . ." and the further reference to "computation . . . by reference to the profits. . . ."

Section 137 is significant in this respect, providing as it does that "... in computing the amount of the profits . . . to be charged under Case I or Case II . . . no sums shall be deducted in respect of . . ." Then follows the well-known list of non-deductible items. Reference to Section 127 and other Sections shows that computation of profits is before deduction of capital allowances which Section 323 requires to be given "in charging" the profits.

The result is that the company's divisible profits will almost always be much less than the maximum amount from which it could deduct tax, since it has to provide for depreciation.

Tax on Share Options

The Board of Inland Revenue announce that their attention has been drawn to recent articles and comments in the Press in which it has been stated that liability to income tax in respect of the value of options granted to employees or directors under share option schemes is determined by reference to the date when the option was granted. This was for some time the official view of the law but the Board have been advised that as a general rule the liability to income tax should be determined by reference to the date on which the option was exercised and not the date when it was granted. Particular option schemes may, of course, have special features which would affect the application of this general principle.

The *Institute of Directors* and others have objected to this announcement of the Board on the grounds that only the Courts can give the definitive interpretation of the law and only Parliament can change it. Whilst agreeing with these opinions we cannot agree that the Board of Inland Revenue are not entitled to change their official view of the position.

Options would usually be at a fixed price and, therefore, the new interpretation would be unfavourable to the taxpayer. It would be in his favour only when he was entitled to exercise the option at market value. In that event he would save stamp duty and brokerage, etc.

It appears to be settled law that there is liability in such cases but there does not seem to have been any case before the Courts to decide the date on which the valuation should be made. In *Weight* v. *Salmon* (19 T.C. 174), the option was exercised immediately. That was also the case in *Ede* v. *Wilson and*

Cornwall (26 T.C. 381). Our own viewpoint is that the Board's new interpretation appears to be more in accordance with general principles. Until the taxpayer exercises dominance over the option it is difficult to see how it could be taxed at all and it appears wrong in principle to say that he must be taxed by reference to the date of exercise and yet pay on a value as at some other date. The point is obviously arguable and no doubt will come before the Commissioners and possibly the Courts sometime.

Clitas

Releases Nos. 18 and 19 of this publication (the *Current Law Income Tax Acts Service*, published by Sweet and Maxwell Ltd., London) dated June 1 and July 20, 1954, have now been issued. No. 18 includes further digests of cases and various departmental circulars, including extra-statutory concessions which are still in operation. The table of National Insurance contributions payable and allowable will be found extremely useful in checking assessments. Orders in Council on double taxation relief for Greece and Belgium are reproduced. No. 19 adds more digests of cases and brings the references up to date.

More Profits—Less Tax!

A curious profits tax anomaly is found when a director-controlled company has profits in the range giving rise to directors' remuneration at 15 per cent. of the profits. Consider the following:

	A £		*B* £	
Profits (after adding back directors' remuneration amounting to £20,000) ...	50,000		100,000	
Less: Remuneration allowable	7,500		15,000	
	42,500 @ 22½ per cent.	£9,562 10	85,000 @ 22½ per cent.	£19,125
Gross and net relevant distribution (remuneration disallowed	12,500		5,000	
Non-distribution relief on	30,000 @ 20 per cent.	6,000 0	80,000 @ 20 per cent.	16,000
Profits tax payable ...		£3,562 10		£3,125

Thus the profits tax payable is higher the lower the profits.

No prize is offered to any reader who discovers an arithmetical error in these figures, for they merely illustrate the elementary fact that 20 per cent. of £15 is greater than 2¼ per cent. of £85.

Residence and Income Tax

A booklet with the title *The Residence of Individuals and its Effect on Liability to United Kingdom Income Tax* has been published by the Association of Certified and Corporate Accountants (price 2s. net) and will be found to be a very useful guide on this difficult topic. As the introduction says " it is not unusual for the taxpayer and his advisers to find themselves faced with a difficulty in which precise legal guidance is lacking. . . . Familiarity with Revenue practice is normally derived from personal experience gained in dealing with particular cases."

The booklet deals with residence and its general effect, distinguishing between the position of those who have not been resident in the United Kingdom but come here for a temporary purpose only and those who come here permanently. It then sets out the rules at present applied in respect of individuals proceeding abroad, distinguishing between the case where departure is for the purpose of employment and that where it is not, and also between that where a place of abode is kept available for use in the United Kingdom and that where no such place is maintained. The position of husband and wife forms the next topic, followed by a discussion of the position of individuals domiciled in the United Kingdom who have been regarded as both not resident and not ordinarily resident but return to take up residence in the United Kingdom.

The pamphlet is extraordinarily complete considering its small size. It even deals with a change of intention by a visitor who returns to the United Kingdom for permanent residence, and with assessable remittances. Very useful features are the two appendices, the first one giving the references to the statutory provisions, the second one to the case law, classified under appropriate headings.

Balancing Charges

An article by Mr. Malcolm Hancock in the periodical *Motor Transport* of June 25, 1954, draws attention to peculiarities which have arisen from the provisions of Section 17 of the Income Tax Act, 1945, as applied to nationalisation under the Transport Act, 1947. Hauliers whose businesses were acquired by the British Transport Commission under voluntary agreement escaped balancing charges, since they sold the shares in their companies, not the vehicles. Those compulsorily acquired were caught for charges, since there was a succession to the business and no " permanent discontinuance " and Section 60 (1) of the 1945 Act applied. (*Bramford's Road Transport* v. *Evans* [1953], 2 All E.R. 1308). It is suggested that if the operation of lorries was only part of a trade, there can be no balancing charge, since there can be no succession to part of a trade and it has been held that compulsory acquisition is not a " sale " (*John Hudson & Co.* v. *Kirkness* [1953] 2 All E.R. 1308).

The Income Tax Act, 1945, was consolidated in Part X of the Income Tax Act, 1952, which was amended by Section 24 and the 6th Schedule, Finance Act, 1952, and balancing charges will arise in any such event in the future, except, of course, where only a company's shares are sold.

A Professional Note, " Death Duties in Perspective," appears on page 330 of this issue. " Critique of the Second Millard Tucker Report " appears on page 336.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

INCOME TAX

Schedule E—Professional cricketer—Sums collected for meritorious performances—Whether remuneration arising from employment—Income Tax Act, 1918, Schedule E, Rule 1—Finance Act, 1922, Section 18.

Moorhouse *v.* Dooland (Ch. May 27, 1954, T.R. 179) concerned a cricketer engaged as "professional" to the East Lancashire Cricket Club, one of the clubs of the Lancashire Cricket League and bound by the rules of the League. By a written agreement of August, 1949, respondent was to act as cricket professional for the years 1951 and 1952. In addition to a salary of £800 for each year and the usual "talent money" it was provided by the agreement that "collections" should be made for "meritorious performances" in accordance with and subject to the rules of the League; and the whole agreement was to be subject to those rules. By these, other forms of benefit, such as benefit matches, were strictly forbidden. In common parlance, "the hat" was to be sent round and the cash response of the spectators thereupon handed to the fortunate professional. Nevertheless, the rules of the League contained strange provisions regarding amateur players. From the judgment of Harman, J., it would seem that Rule 38 contained the following:

> *Batting.* A collection shall be taken for any player scoring fifty runs or more in any one innings. . . .
>
> *Bowling.* A collection shall be taken for any amateur with the following performance at the completion of an innings in one particular match. . . .
>
> (Similar but higher bowling test for professionals.)
>
> *Hat trick.* A collection shall be taken for any player taking three or more wickets with successive balls. These collections shall be personally collected by the players or. . . .

Respondent in 1951 became entitled to eleven collections and received £48 15s.—which the Revenue contended were perquisites or profits assessable under Schedule E, to which schedule employments previously chargeable under Schedule D were transferred in 1922 and expressly made subject to the rules of that schedule despite their glaring unsuitability in a vast number of cases. The Revenue's main argument would seem to have been a very simple one: the right to collections was part of the respondent's remuneration under his contract and the amounts subscribed merely quantified it. If this had been the case, Harman, J., said he thought that the Crown would be "home," but he disagreed:

> Under the very extraordinary rules . . . because all the clubs are bound by the rules of the League and the rules say so. The amateur batsman, having . . . made 51, takes off his cap and goes round the crowd, saying, "What a skilful batsman am I," and he may or may not get £2 4s. 3d. or whatever it is. *How he retains his amateur status is not a matter for me* [the italics are ours] but for Lancashire. I understand that they know how to do these things in that part of the world. Presumably the sum is treated not as payment but personal tribute,

and he held that the provisions regarding amateurs exploded the theory of the right arising out of contract and that it arose not because a player played for his club but because he played in the League, and for the former to stop him by contract would be to break the League's rules.

Looking at the question as one of fact rather than law, the judge said that the General Commissioners had, by a majority, held that the collections were not a profit from respondent's employment but "testimonials to his abilities." He pointed out that in *Reed v. Seymour* (1927, A.C. 554; 6 A.T.C. 433; 11 T.C. 625), where the House of Lords had decided in favour of a Kent cricketer who had been given a "benefit" on the ground that it was a personal testimonial, the Revenue had not sought to tax anything beyond what was money collected and paid to him by the club although he had also got an equally large sum by collections from his supporters on the ground and elsewhere. Later, he said:

> If it had been proved that the benefits were a regular thing which a player might expect, then they would have been a perquisite, but in face of the evidence the House of Lords did not feel itself at liberty to come to that conclusion,

and he contrasted this with the contrary conclusions by Rowlatt, J., in the footballers' benefit cases and by Atkinson, J., in the taxi-driver's tips case.

At the commencement of his judgment, Harman, J., said his patience had worn thin as both counsel argued before him hour after hour. He said that he seemed to have observed a tendency for the Crown:

> to spend time catching the financial sprat while the mackerel swims free in the ocean,

and his strictures had been widely endorsed in the Press generally. In the present writer's opinion the case did involve a principle of importance in the income tax system, unlike those cases governed by the wording of Rule 9 of Schedule E, the stringency of which embodies an inequitable principle of no importance whatever except to the unfortunate persons affected by it. In cases like the present one the Revenue, better than most, know that if they fail to catch the sprat they may then stand to lose an important shoal of mackerel. The position in relation to income tax of an "amateur" receiving money from "collections" did not of course arise but is, nevertheless, intriguing.

Machinery and Plant—Balancing charge—Sale of business as going concern—Whether balancing charge feasible—Income Tax Act, 1918, Cases I and II, Rule 11—Income Tax Act, 1945, Sections 62, 68(4), 70—Finance Act, 1926, Section 32.

In **C.I.R. *v.* John Barr (Henry & Galt)** (House of Lords, May 4, 1954, T.R. 147), the result was a foregone conclusion, the case being one where the Scottish Court of Session had clearly gone wrong. By Section 17 of the Income Tax Act, 1945, in the case of a sale of machinery or plant before a trade was "permanently discontinued" a balancing allowance or charge was to be made in the circumstances set out in the statute; but by a provision at the end of Section 17(1) "permanent discontinuance" was not to include reference to any event which under the provisions of Rule 11 to Cases I and II of Schedule D was to be treated as equivalent to discontinuance. In other words, the "discontinuance" had to be actual and not only "treated as." In the case before their Lordships the firm of Henry and Galt had carried on the business of ironfounders at Paisley. The respondent, formerly the manager, had become a partner in 1928 and sole proprietor in 1945. In 1946 the business had been sold as a going concern for £14,000, of which £4,000 had been allocated to plant and fittings with the result that, assuming liability in principle, a balancing charge of £1,405 was feasible. The General Commissioners, holding themselves to be bound by the decision of the Court of Session in *C.I.R.* v. *West and others* ("*Girl Eileen*"), (1950, 29 A.T.C. 217; 31 T.C. 402), discharged the assessment on the balancing charge and, on appeal, the Court of Session held that it was bound by that case and affirmed the Commissioners' decision. The House of Lords unanimously reversed the decision of the lower Court.

In the "Girl Eileen" case, a ship had been owned by the respondents in certain shares and was engaged in fishing from the port of Fraserburgh. In 1947, the vessel was

sold to purchasers who continued to employ her in fishing but from the port of Lerwick although, to quote Lord Morton of Henryton:

> it does not appear that any goodwill of a business was sold to them; they merely bought a chattel, namely the ship, and used her for the purpose for which she was built,

and he said that the Commissioners who had found that with the sale of the ship there had been a simultaneous permanent discontinuance of trade were, in the special circumstances, fully justified in their finding. Lord Reid, who gave the other full judgment, uttered words of caution regarding the "Girl Eileen" decision. There, the Revenue had not contended that the new owners had succeeded to the trade of the old owners—"And it is not clear on the facts whether that could have been maintained"—but considered it sufficient that she was still used for fishing.

Unfortunately, however, the Scottish Court had adopted a different ground of decision and held that Section 17 was not "looking towards the continuance of the machinery or plant in trade but to the continuance of the owner of the machinery or plant in trade," despite the clear provisions of Sections 17 (1) and 62 of the 1945 Act requiring "permanent discontinuance" to be an actuality and not a "treated as." In England, the Chancery Division, although not bound to do so, would normally follow the Court of Session, but Danckwerts, J., in *Bramford's Road Transport Ltd.* v. *Evans* (1953, 2 All E.R. 1308; 32 A.T.C. 386), and Upjohn, J., in *Boarland* v. *Madras Electric Supply Corporation* (1954, 1 All E.R. 52; 32 A.T.C. 279), refused; and the House of Lords' decision restores uniformity of treatment in the two countries.

Schedule D, Case I—Company carrying on business of speculative builder—Plots of land bought, houses erected thereon and sold—Two houses not offered for sale but let to tenants—House occupied by same tenant from 1939 to 1950 sold to him in 1950—Whether profit on sale assessable or from the realisation of an investment.

Granville Building Company Ltd. (Ch. May 19, 1954, T.R. 161), was a small case in the immense "property transactions" category but was unsatisfactory in that, whilst an important principle was apparently involved, the limitations of the General Commissioners' "case" would seem to have prevented its adequate consideration. The appellant company had been formed in 1930 with very small capital by two builders to carry on the ordinary business of a speculative builder. Plots of land were bought, houses were erected thereon and sold, and any houses unsold were regarded as trading stock. There were two exceptions. Houses somewhat larger than usual had been erected in 1938 but had been let to tenants and never offered for sale. One of these houses had been occupied by the same tenant from 1939 to 1950. His wish, from time to time, to buy the house was only acceded to in 1950 when, instead of making the extensions which he was pressing the company to make, the latter sold it to him at a price which exceeded the company's book-value by some £900. It was the profit which gave rise to the dispute, the Revenue claiming that it arose from the trade of the company, whilst the latter contended it was from the realisation of an investment.

It appeared that, although the company contended that the houses were always intended to be investments, up to the year 1942 they had been shown in the balance sheet as stock-in-trade. In that year a resolution had been passed that the houses should be "treated as an investment at the value shown in the last balance-sheet" and Harman, J., said he had been asked to assume that the only houses the company had on hand were the two houses, a point on which, apparently, the "case" contained no information. The objects of the company, so far as stated in the "case,"—"a very meagre sort of document," according to the Judge—were "carrying on the business of builders and of developing and turning to account any land acquired by the company," which, as the Judge remarked, were not the objects of an investment company. It is not stated whether the company's memorandum was annexed to and formed part of the "case." Apparently not, because he remarked that as far as "the stated case goes" the only power to invest was of money not immediately required; and the company at the time of building had a large bank overdraft. The company's auditor had testified that the directors had always considered the two houses as an investment and not as stock-in-trade but the Commissioners had refrained in the "case" from saying whether or not they had accepted his evidence and, against it, the Judge said, there was the fact that for four years they had appeared as stock-in-trade on the balance sheet. The Commissioners had found that the profits on the sale of the house were "assessable under Case I of Schedule D," a finding which Harman, J., found, as well he might, "a little embarrassing." Nevertheless, he upheld their decision as a finding of fact for which there was evidence. He distinguished the case from *Harvey* v. *Caulcott* (1952, 31 A.T.C. 90; 33 T.C. 159), the latter being that of a private individual and not of a trading company.

The deficiencies in the Commissioners' "case" would seem to have prevented adequate examination of the matter. The position claimed to exist was of very common occurrence and is the converse of that where an investment company has so many property transactions of purchase and sale that the Inland Revenue is able to contend that it has crossed the line which divides investment from trading. In these cases it would seem that the properties sold in respect of which the Inland Revenue claim arose must notionally have ceased at some point of time to be investments and become the stock-in-trade of a trading account. If so, in special circumstances it would seem to be feasible for a property-dealing company's stock-in-trade at a point of time to cease to be stock-in-trade and then to become "investments." In his judgment, Harman, J., as mentioned above, pointed out that in 1938 when the two houses in question were built the company had a large bank overdraft and therefore had "no money not immediately required" to invest. With respect, it may be suggested that the crucial question was not the state of the company's balance sheet in 1938 but the position in 1942 when it was resolved that they were to be treated as investments; and there is no information about this.

EXCESS PROFITS TAX

Terminal expenses—Change in identity of group of companies—Allowance for relief subsequent to change—Discretion of Commissioners of Inland Revenue—Whether any right of appeal in respect of Commissioners' exercise of discretion—Finance Act, 1946, Sections 37, 39(4), Schedule IX.

Regina *v.* Board of Referees, *Ex parte* Calor Gas (Distributing) Company Ltd. (Q.B.D. February 1, 1954, T.R. 111) arose out of the provisions of the Finance Act, 1946, which put an end to the Excess Profits Tax. During the late war, owing to lack of materials and labour, repairs and maintenance fell into arrear with the result that the profits shown by undertakings were greater than the real profits. So, when the tax was ended at December 31, 1946, it was thought right that relief should be given in respect of the repairs which could not be done during the war. A problem, however, was presented by the method whereby, as in the present case, a group of companies had been included in one assessment to the tax, because changes might have occurred in the composition of the group either by companies dropping out or by other companies coming in. By Section 37, in the event of such a change, the terminal expenses incurred had to be left out of account as from the date of the change. Nevertheless, the refusal of relief was not absolute. By Section 39(4) the Commissioners:

May, if they think fit, allow the relief or additional relief or such part as they think just, having regard to the extent to which the persons directly or indirectly interested in the trade . . . remain interested therein after the change.

The company supplied gas which was distributed in cylinders; and these, from time to time, needed repair which owing to war conditions could not be done. In 1948, there had been a change in the composition of the group; and when the company put in its claim for relief, the Board of Inland Revenue divided the claim into two parts. Conceding the claim up to December, 1948, when the change took place, the Board of Inland Revenue had made a discretionary allowance for the subsequent period, with the result that the aggregate was less than the total claim. By the Ninth Schedule to the 1946 Finance Act, paragraph 5, any person:

who is dissatisfied with any determination of the Commissioners as to *whether he is entitled* to any and if so what relief may appeal to the Board of Referees.

The company had appealed to the Board of Referees, who had refused to hear the appeal on the ground that they had no jurisdiction. An application had therefore been made to the Queen's Bench Division of the High Court for a *mandamus* requiring the Board of Referees to hear and determine the appeal. The application was unanimously refused, Lord Goddard, L.C.J., giving the only full judgment. He said that under paragraph 5 the company had an appeal on the question whether it was entitled to anything and, if so, what. He held that after the change the company had no claim and was obliged to go under Section 39 and ask the Commissioners, within whose discretion it was entirely, to give them something. In the circumstances, " apart from the fact that no appeal *as a rule* lies from the exercise of discretion," the company had got the first part of its claim and as to the second part he could not see it was entitled to anything.

It would seem that the possible exceptions are where, in fact, the Commissioners have refused but not considered the claim or where the way in which a discretion has been exercised has been quite unreasonable.

PROFITS TAX

Distribution—Controlled company—Payment for restrictive covenant—Whether a distribution—Finance Act, 1947, Sections 30, 34, 35, 36.

C.I.R. *v.* Lactagol Ltd. (Ch. May 20, 1954, T.R. 165) was a case affecting a director-controlled company, and by a provision in Section 36 (1) (*c*) of Finance Act, 1947, in the case of such companies:

Where . . . an amount is applied, whether by way of remuneration, loans or *otherwise* [italics ours] for the benefit of any person there shall be deemed . . . to be a distribution to that person.

A Mr. Adams had been with the company since 1941 and was one of its managing directors and the company, in the words of Harman, J., was minded to pay him a sum in return for his covenant not to compete, a practice which, as the judge said, had become common since the " unexpected success of the expedient " in *Beak* v. *Robson* (1943, A.C. 352; 21 A.T.C. 397; 25 T.C. 33). It was, he said, not suggested that the £1,800 paid to Mr. Adams for his five years' covenant was not " a real, genuine and proper transaction." The Revenue contended that the words " or otherwise " covered the payment; but the Special Commissioners had found that it was impossible to say what, if any, part of the £1,800 represented an amount applied for the benefit of any person within the provision above-mentioned, and had decided in favour of the company. Their decision was approved by Harman, J., who held that it was a case where:

you pay a capital sum for what is in effect a capital asset, namely, the safety from competition, which entitles you, if you wish, to put your goodwill at a higher figure on the balance sheet,

and he could not help thinking that such a transaction could be treated as an application for somebody's benefit.

We understand that the Crown will not now take the case to the Court of Appeal, as was forecast on page 274 of our July issue.

Whether payment of interest or distribution of profits—Interest only payable out of profits—Interest unpaid cumulative—Whether deductible in computing profits—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 3(e)—Finance Act, 1937, Sections 19, 20, Schedule IV, paragraph 4—Finance (No. 2) Act, 1940, Section 14.

C.I.R. *v.* Pullman Car Co., Ltd. (Ch. May 16, 1954, T.R. 175) was a case involving a point of considerable importance in view of the possibilities opened up. The respondent company's capital had been reduced in 1938 under a scheme sanctioned by the High Court and under it the 7 per cent. cumulative Preference shareholders received as part consideration " 5 per cent. cumulative income stock." The sole question was whether the amount of " interest " paid on the stock was within paragraph 4 of Schedule IV to the Finance Act, 1937, and so deductible, or whether it was a distribution of profits prohibited by a proviso to the said paragraph. Under the scheme, the " interest," like that on the preceding cumulative Preference shares, was only payable when and to the extent that net profits were sufficient. It was to be cumulative. The stock was redeemable according to provisions of the scheme but these are not set out in the judgment. Up to March, 1939, the full " interest " was paid; but then it fell into arrear. Payment recommenced in 1947 and by September, 1948, the arrears had been reduced to two and a half years and in 1948 the stock was redeemed together with the " interest." The issue was in respect of the " interest " paid in 1948 and, as the amount of income stock issued under the 1937 scheme was £437,500, the amount of tax involved was very considerable. The Special Commissioners had found in favour of the company, and Harman, J., affirmed their decision.

The Special Commissioners' finding was:

We hold that the " interest " paid to the holders of income stock of the company in the chargeable accounting period in question was " interest payable out of the profits " of the company within paragraph 4 of the Fourth Schedule of the Finance Act, 1937, and was not a " payment of dividend or distribution of profits " within sub-paragraph (*a*) of the proviso to the said paragraph 4.

Without perusal of the whole of the circular addressed to the company's shareholders and of the scheme itself it is impossible to appreciate fully the extent of the changes in the legal position of Preference shareholders when as part of the consideration for the surrender of existing rights they gave up their status as such and became holders of income stock. According to Harman, J., they were very great, as will be seen from the following *dicta:*

It seems clear to me that a holder of this stock is not as such a member of the company.

The stock-holder is in fact and in law in the position of a debenture-holder. He has, it is true, no charge in respect of either payment [the covenant to redeem and the covenant to pay interest] but that is not essential though usual in debentures.

It seems to me that holders of income stock are in the position of people who have lent money to the company and they are not proprietors nor sharers in the profits.

He [the income stock-holder] is simply a debenture-holder whose right to interest is contingent.

If the case is carried further the ultimate outcome would seem to depend upon the extent to which the conclusions reached by the judge as set out in the above *dicta* are held to be correct. The three old excess profits duty cases cited for the Crown were, as held by him, clearly either distinguishable

as in the case of *Walker* v. *C.I.R.* (1920, 3 K.B. 648; 12 T.C. 297) or very different in their facts as in *C.I.R.* v. *Mashonaland Railway Co.* (1926, 6 A.T.C. 53; 12 T.C. 1159) and *Madras and Southern Mahratta Railway Co.* v. *C.I.R.* (1926, 5 A.T.C. 739; 12 T.C. 1111).

ESTATE DUTY

Settlement—Provisions entailing prospective heavy estate duty—Scheme of avoidance—Variation of trusts proposed—Infant interests—Whether Court has power to approve proposed variation—Trustee Act, 1925, Section 57(1).

Chapman v. Chapman (House of Lords, March 25, 1954, T.R. 93) raised a very important question on the limits of the jurisdiction of the Chancery Division in regard to settlements, the immediate issue being whether there was an inherent jurisdiction to sanction a rearrangement of the trusts of a settlement where the scheme was approved by the adult parties and was for the benefit of the infant beneficiaries and unborn beneficiaries, although its sole object was the avoidance of a heavy contingent liability to estate duty. Harman, J., and the Court of Appeal, by a majority, had held that in the circumstances of the case the Court had no power to approve the proposed variation. In the House of Lords, this decision was unanimously affirmed, a majority of their lordships disapproving of the unappealed decisions of the Court of Appeal in *In re Downshire's Settled Estates* (1953, Ch. 218), and *In re Blackwell's Settlement Trusts* (1953, Ch. 218). In all three cases the sole object was avoidance of estate duty; and, although the circumstances differed in each case, on the principles laid down in his speech by Lord Morton of Henryton, with which Simonds, L.C., and Lord Asquith of Bishopstone agreed, it was held that there was no power to approve any one of them. Lord Cohen, differing on a point of principle, agreed with the Court of Appeal's decisions in the two other cases.

The circumstances in which the case arose were that in March 1944, Colonel Robert Chapman and his wife (now Sir Robert and Lady Chapman) had settled funds of an estimated value of £43,000 for the benefit of the child or children of their son, Robert Macgowan Chapman. By Clause 3, until the youngest child attained the age of 25 or until the expiration of 21 years from the death of the survivor of the settlors, whichever should be the shorter period, the trustees were to apply such part of the trust income as they in their discretion should think fit, for the common maintenance, etc., of the children for the time being living and were to accumulate the surplus. But, by virtue of Section 164 of the Law of Property Act, 1925, which limits the time during which accumulation is permissible, the trust for common maintenance and accumulation would come to an end with the death of the survivor of the settlors. Thenceforward the income of the trust fund would fall into the residuary estate of the deceased settlor, and so, as there would be a change of beneficiaries, the whole of the trust property would "pass" under Section 1 of the Finance Act, 1894, and be subject to estate duty in accordance with *Re Bourne's Settlement Trusts* (1946, 1 All E.R. 411). As regards the probability of this happening, whilst the three grandchildren of the settlors had been born in 1941, 1944 and 1946 respectively, Sir Robert Chapman was stated to be 72 and his wife 65 years of age. In addition to the settlement above-mentioned, there were two other separate settlements. By the second one, made in February 1950, Lady Chapman settled further funds on substantially the same trusts for the benefit of Robert Macgowan's children save that for the reference to the expiration of 21 years from the death of the survivor of the settlors there was substituted 21 years from the death of Lady Chapman. By the third settlement, also made in February 1950, Lady Chapman had settled certain funds on the marriage of another son, Nicholas, and by a clause of the settlement, in the event of the determination or failure of the trusts provided, the trust funds were to be paid over to the trustees of the second settlement who were to hold them on the trusts of that settlement. In all, the funds provided aggregated some £77,000 and, assuming the rates of estate duty to be unchanged, the inclusion of the clause for common maintenance and accumulation would mean, it was estimated, that £30,000 would be exigible in respect of the three trust funds whether Sir Robert Chapman survived or predeceased Lady Chapman.

To avoid this, a scheme was prepared for freeing the 1940 and 1950 settlement funds from the provisions for common maintenance and accumulation by means of a new settlement to which, with the sanction of the Court, the trustees of the original settlements should advance their respective funds. The new settlement was to contain similar trusts but omitting the common maintenance, etc., provisions. Similarly, the trustees of the third settlement were, on the failure of the trusts for the benefit of Nicholas and his present and future wife and issue, to transfer their funds to the trustees of the new settlement to be held on the trusts thereof. When, however, the case came before the House of Lords, a different order was asked for, the effect of which would be that the disastrous clauses in the 1944 and 1950 settlements would no longer have any operation. The question was whether the Courts had power to sanction such alteration of the trusts of a settlement, and seeing that the Revenue although not a party was deeply interested, the Court of Appeal had suggested that the Crown should employ counsel to assist the Court as *amicus curiæ*, a course also followed in the House of Lords. Seeing that all the other parties concerned were interested in the schemes being approved, this no doubt resulted in a far more thorough examination of the legal position.

It was argued for the appellants that the jurisdiction of the Court to modify or vary trusts was unlimited provided (i) that all adult persons interested assented and (ii) that it was clearly shown that the proposed changes were for the advantage or convenience of all persons who were infants, including unborn persons. On this footing, as pointed out in the Court of Appeal and re-stated by Lord Morton, not only could settlements be altered in order to avoid death duties but "the way would be open for a most undignified game of chess between the Chancery Division and the legislature" in which any fresh taxation imposed on settlements so altered would be countered by further applications to the Division. Their lordships unanimously rejected the argument of unlimited jurisdiction, and the real issue in the case was then whether the scheme could be sanctioned as a "compromise." As to this, Lord Morton said:

> There is no doubt that in cases where the respective rights of persons interested in a will or settlement *were in dispute* the Court of Chancery down to 1873, and the Chancery Division since the passing of the Judicature Act, has had jurisdiction to approve a compromise on behalf of infants and unborn persons.

But the Master of the Rolls and Romer, L.J., in their joint judgment in *In re Downshire's Settled Estates* and *In re Blackwell's Settlement Trusts* (1953, Ch. 218), after reviewing the decided cases, held:

> It must now be taken, in our judgment (at any rate since the decision in *In re Trenchard* (1902, 1 Ch. 378), 50 years ago), that the Court has a further power . . . and the word "compromise" should not be narrowly construed so as to be confined to "compromises" of disputed rights.

This view was rejected by the majority of their lordships, Lord Asquith of Bishopstone pointing out that until the twentieth century the category "compromise" had been construed as strictly confined to cases of disputed rights and that none of the decisions since 1900 relied on for the

appellants were binding upon their lordships. Lord Cohen, whilst agreeing that the appeal in *In re Chapman* failed for other reasons, considered that the " compromise in the broad sense " decisions of the last fifty years should not be disturbed and " compromise " jurisdiction should not be limited to cases of disputed rights.

The effect of restoring to " compromise " its former strict meaning will undoubtedly be great; and there was an omnious ring about the concluding words of Lord Cohen's judgment:

> I cannot sit down without expressing my doubt whether there is any foundation for the suggestion made by Lord Justice Denning that the effect of your lordships' decision may be that schemes sanctioned in the past could be ignored by the Revenue and by all persons not *sui juris*. The High Court is a superior Court and the control of trustees is a matter within its jurisdiction. It would take a good deal of argument to satisfy me that its orders were a nullity and that trustees were not fully protected by orders made by that Court in the exercise of that trust jurisdiction even though your lordships may, in a later case, have said that the jurisdiction had been wrongly exercised.

There is, of course, another way of looking at the position based on the principle of the " equality " canon of taxation.

Tax Cases—Advance Notes

By H. MAJOR ALLEN

CHANCERY DIVISION (Roxburgh, J.)

C.I.R. *v.* Butterley Colliery Company Ltd. July 21, 1954.

Facts.—The company carried on the business of colliery owners, etc., until its colliery assets vested in the National Coal Board under the Coal Nationalisation Act. Subsequently it received " interim income " under that Act and was assessed to profits tax thereon. On appeal against assessments to profits tax the Special Commissioners held that the company had ceased to carry on its trade as from the vesting date and that the interim income did not constitute " income from investments or other property."

Decision.—Held, that the interim income constituted income " from other property " and accordingly was assessable to the profits tax by force of para. 7, Schedule 4, Finance Act, 1937, as amended.

C.I.R. *v.* Dadswell. July 27, 1954.

Facts.—D. set up business as a flour miller during the war years, buying grain at the controlled price, selling flour at the controlled price and receiving the appropriate rebates from the Ministry of Food. He was not a member of the Millers' Pool arrangement and in consequence was not entitled, as of right, to the " millers' remuneration " which members of the pool were entitled to receive. He did, however, at the instance of his accountants, submit figures to the Ministry of Food with a view to obtaining an *ex gratia* payment of millers' remuneration. In 1945 he disposed of his business to a third party and ceased to carry on business as a miller. At the date of cessation, the Ministry of Food had not agreed to pay him any millers' remuneration, nor did he regard his prospects of obtaining such remuneration very highly. However, in 1947 he received certain payments from the Ministry of Food by way of millers' remuneration for the war years. On appeal against an assessment to Excess Profits Tax the Special Commissioners held that the payments received in 1947 could not be treated as trading receipts of the war years.

Decision.—Held, that the remuneration received in 1947 must be regarded as a trading receipt of the years during which it was, in effect, earned. *Holden* v. *C.I.R.* (12 T.C. 768) applied.

Andrews *v.* Gissane. July 20, 1954.

Facts.—G. was surgeon-in-chief of the Birmingham Accident Hospital. He had been asked to organise the setting up of the hospital in 1941 and when he was appointed in that year it was part of his duties to administer the hospital, train the staff and take full responsibility for the treatment of patients. He was also required to see that the hospital practice was kept up to date. Upon the introduction of the National Health Service his position was confirmed and he continued to discharge the same duties as before. His evidence on the nature of those duties was accepted by the Commissioners, who also found as a fact that his employment was governed by the National Health Service terms and conditions of service of hospital staff. On appeal against an assessment under Schedule E in respect of his salary, G. claimed as a deduction under Rule 9 *inter alia* the cost of maintaining and running his car, in so far as it related to journeys made from the hospital to the scene of an accident, or to emergency night-time journeys made from his house to the scene of such accidents. He also claimed the cost of visits paid to other hospitals in order to study new methods of treating fractures, etc., and the cost of entertaining some of the numerous surgeons from all parts of the world who visited the hospital. The Commissioners allowed part of the car expenses claimed (including a sum for depreciation) together with the whole of the amounts claimed in respect of travelling and entertaining expenses. The Crown appealed.

Decision.—Held, that the case must be remitted to the Commissioners to ascertain precisely what were the respondent's duties and how the amount of the car expenses allowed had been arrived at.

Heasman *v.* Jordan. July 24, 1954.

Facts.—H. entered the service of the Hawker Aircraft Company in 1941 as an assistant accountant. During the war years all employees of the company were required to work long hours for six and half days a week, and for the overtime involved the weekly paid staff received appropriate payments. The monthly paid staff, of whom H. was one, received no such payments, but were informally assured from time to time that the company would look after them in due course. In 1945 the Board of the company resolved to pay a bonus to monthly paid staff, the basis of distribution to be settled by the local board. As a result each member of the monthly paid staff received a bonus (which in some cases amounted to more than one year's salary at the then current rates) calculated by reference to his salary scale and length of employment during the war years. With a few exceptions, each employee received with the payment of bonus a letter stating that it was made by the company in recognition of his loyalty and service during the war years. H. was assessed to income tax and sur-tax upon the footing that the bonus received by him constituted remuneration assessable for the year in which it was paid.

Decision.—Held, that the bonus was properly assessable for the years *in respect of* which it was paid, i.e. for the war years, and that the case must be remitted to the Commissioners for them to make the appropriate apportionment.

The Student's Tax Columns

PROFITS TAX

SOME IMPORTANT ASPECTS OF PROFITS TAX CAN EASILY cause difficulty when first approaching the subject.

Abatement

If the profits liable to profits tax (P.T.) plus the franked investment income (F.I.I.) of any chargeable accounting period (C.A.P.) do not exceed £2,000 per annum, there is no profits tax payable for that C.A.P. Where the profits (plus F.I.I.) are between £2,000 and £12,000 per annum there is an abatement, which is a proportion of one-fifth of the amount by which the profits (plus F.I.I.) fall short of £12,000 per annum, equal to the ratio that the profits (before abatement) bear to the profits plus F.I.I. It is important to notice these points:

(1) The profits (before abatement) are arrived at by computing the profits of the C.A.P. and deducting therefrom any losses brought forward;

(2) If the profits so found, plus the F.I.I., do not exceed £2,000 per annum, the profits are abated to nil;

(3) If the profits so found, plus the F.I.I., exceed £2,000 but not £12,000, there is the fractional abatement.

Illustration (A):

Profits for C.A.P. of nine months	£1,200
Less loss brought forward	1,500
Profits ...	£ NIL
Loss carried forward ...	£300

Illustration (B):

Profits for C.A.P. of eight months	£4,200
Less loss brought forward	3,000
	1,200
F.I.I.	100
	£1,300

This is just under £2,000 per annum, so there is an abatement to nil. In case (B) if the gross relevant distribution (G.R.D.) were £1,500, there would be a distribution charge on £200, but if the G.R.D. did not exceed £1,300, there would be no P.T. payable.

Illustration (C):

Profits of C.A.P. of one year	£1,800
F.I.I.	500
	£2,300
Profits	1,800
Abatement: $\frac{1,800}{2,300} \times \frac{£12,000-£2,300}{5}$ =	1,519
Profits liable ...	£281

If the G.R.D. exceeds £2,300, P.T. will be payable on £281 at 22½ per cent. and (as a distribution charge) on the excess over £2,300 at 20 per cent. (or, if in respect of non-distribution relief (N.D.R.) given before 1952, at half the rate of the N.D.R. in question). If there is no G.R.D., the P.T. is 2½ per cent. on £281.

Directors' Remuneration

In a company not controlled by the directors, there is no restriction of directors' remuneration for P.T. unless it is restricted for income tax. That will arise only where the remuneration is not laid out wholly and exclusively for the purposes of the trade.

Where the company is director-controlled (i.e. the directors can impose their will on the other shareholders at a general meeting), there is a restriction. This is that the total directors' remuneration (excluding that of whole-time service directors and of certain professional, etc., people) is not to exceed £2,500 (per annum) or 15 per cent. of the profits (whichever is greater) or a maximum of £15,000 (per annum). The profits for this purpose are before deducting the remuneration of the directors subject to the restriction.

The £2,500 limitation can be increased where there are two or more full-time working directors (F.T.D.) for more than half the C.A.P. (A F.T.D. is one who would be a whole-time service director but for the fact that he owns or controls more than 5 per cent of the ordinary share capital).

If there are two F.T.Ds. the £2,500 can be increased to £4,000; if there are three F.T.Ds., to £5,500 and if there are four or more F.T.Ds., to £7,000, subject to these limitations:

(i) The deduction for directors' remuneration of the directors subject to restriction cannot exceed the aggregate of their remuneration.

(ii) Such aggregate is to be reduced, however, by the amount by which:

(*a*) the highest paid director's remuneration exceeds £2,500, and

(*b*) each other director's remuneration exceeds £1,500.

If directors get equal amounts, one will be subject to restriction (*a*) and the others to (*b*).

There is a marginal relief, however, in that if the highest paid director gets less than £2,500, the difference between his remuneration and £2,500 is deducted from the disallowance in (*b*).

Illustration (1):

Company's profits	£9,000
Add: Directors' remuneration (excluding whole-time service directors and certain professional, etc. people) ...	8,000
	£17,000
15 per cent. would give a maximum deduction of	£2,550

But there are the following F.T.Ds.:

A Remuneration £3,000
B Remuneration £1,700
C Remuneration £800

The remainder of the remuneration is paid to part-time directors. The maximum allowable becomes:

A	£2,500
B	£1,500
C	£800
	£4,800

Had C been paid £1,500 or more, the maximum would have become £5,500.

Illustration (2):

Company's profits	£80,000
Directors' remuneration	25,000
	£105,000

The presence of F.T.Ds. cannot take the deduction beyond £7,000 unless the 15 per cent. rule operates; here the overriding maximum of £15,000 applies.

Illustration (3):
Profits as in (1).

F.T.D.	"A"	£2,300
	"B"	1,600
	"C"	1,500
	"D"	800
	"E"	600
	Total allowable...	£6,800

Marginal relief operates; A's shortfall offsets B's excess.

Readers' Points and Queries

Balancing Charge—Private Use of Car

Reader's Query.—A wear and tear allowance is claimed in respect of a car used on business matters. The full allowance is subject to a deduction for personal usage. The car was bought in 1947 for £320, from which a balancing charge of £36 was deducted, and sold in 1954 for £108. The written-down value was £38. From the wear and tear allowances a total of £51 has been deducted on account of private use.

The balancing charge has been calculated thus:

	£	£
Car sold for		108
Written down value	38	
Allowances withheld	51	
	—	89
Balancing charge		19

The Inspector of Taxes has reckoned the balancing charge in the following fashion:

Total allowances (as computed)	£320 — £38 = £282
Total allowances (business use)	£282 — £51 = £231
Balancing charge (restricted to business use)	$\frac{231}{282} \times £70 =$ £57

It will be observed that had no restriction been made, the balancing charge would have been £70. Bearing in mind that tax on £51 (the total disallowed) has already been suffered, is it just and reasonable that tax should be borne on almost the whole of the sum which would have been chargeable had there been no restriction?

Reply.—We can see nothing wrong with the computation made by the Inspector of Taxes. We cannot see any other reasonable way of computing the balancing charge, the purpose of which is to take away the excess of the wear and tear allowances over the proportion which ought to have been allowed if only the net cost of the asset were considered. In this case the net cost of the asset is £212; there should, therefore, have been allowed over the life time £212. The notional amount written off is £282 and this has to be scaled down proportionately. It is, therefore, just and reasonable that the proportion should be dealt with by the actual allowances compared with the notional allowance, and 231/282 × £70 is correct.

The position is slightly obscured by the fact that a balancing charge on an earlier vehicle was deducted from the cost price of the car and has to be treated as an initial allowance. But the principle is not affected.

Computation of Excess Rents

Reader's Query.—The computation of excess rents under Schedule D, Case VI, raises the matter of deduction of rates included in the gross rental received. Should this rates reduction be the *actual sum paid* (i.e. gross rates less discount) or the sum payable disregarding any discount received by the lessor for prompt payment?

The gross rents (comprising rent and general and water rates) are adjusted as and when general and water rates alter and these adjustments are computed on the gross amount demanded and not on the net amount paid when discounts are obtained.

Reply.—Since there is nothing laid down in the Acts we are thrown back on to general principles. Where it is necessary to deduct rates in arriving at the Schedule A assessment it is the gross amount of the rates before deduction of discount that has to be taken into account. It would be absurd if any other practice were adopted, because Schedule A assessments would vary according to whether the rates were paid in advance or in arrear. It is, therefore, considered that the same principle must apply in arriving at excess rents. The discount, if assessable, would fall under Case III.

Butcher's Accounts

Reader's Query.—I have a case where a butcher has difficulty in ascertaining by a reliable method the cost of slaughtered meat, i.e. what percentage of waste should be added back to the live-weight cost per animal to get a chargeable figure in his annual accounts.

The meat sold is beef and mutton, and a considerable number of beasts are brought in off his own lands. The live-weight charge made per animal is in all cases the market price prevailing at time of transfer. When he buys for direct delivery to the slaughter-house the cost price (live-weight) is charged.

If any of your readers who has had experience of slaughter-house costs would deal with this query I should be very grateful.

[*We shall be glad to hear from any readers who can advise on this.*]

The Month in the City

The Brave Bulls

USUALLY THIS IS THE TIME OF THE YEAR when the back-room statisticians pack away their slide rules and brokers and jobbers reach for their panamas. But the atmosphere in the stock markets has been so exhilarating that Throgmorton Street is still crowded—and the buying orders were still coming after the Bank Holiday. Indeed, on August 9 more bargains were marked than for any August day since markings were first counted in 1942. Broadly, the whole structure of stock market prices has been lifted up on the shoulders of the gilt-edged market. The tactics of the authorities in their conversion offers to force interest rates down slightly and to encourage investors to go longer have succeeded. The institutions have gone so willingly into the longer-dated issues that the Government broker at one moment had little to sell in the long-dated stocks other than the new 3½ per cent. Conversion issue (already baptised in the market as "Eternity 3½'s"). It was not long after this event that the authorities came into the market with the announcement of the issue of a further tranche of the 3½ per cent. Electricity stock (1976-79); this time the issue was of £100 million of stock at 100½. Allowing for accrued interest the price was so close to the market that it can be assumed that the authorities were taking account of the movements in the market so far and not trying to force the pace. The movement has been so strong that the joke that the authorities might consider an assault on War Loan turned into a rumour worthy of discussion.

Where the gilt-edged market led, so did industrial equities follow. Almost all the leading stocks went ahead and some of the more speculative of them soared; in particular the report from *Great Universal Stores* and the removal of some of the hire purchase restrictions thrust more steam into the market. After the Bank Holiday Kaffir shares began to pick up, with the OFS developers in the van, but with the producers and the finance houses not too far behind. In the final result, the indices of the *Financial Times* indicated the following changes between July 19 and August 17: Government securities from 105·30 to 105·59, fixed interest from 116·33 to 116·59, industrial Ordinary from 158·1 to 166·9, gold mines from 85·72 to 99·58 and gold developing from 105·42 to 128·44. Unusually, the two gold indices and the industrial Ordinary index touched new peaks together.

Thoughts for the Holiday

That coincidence is a signal to cause the steadier type of investor to reflect. Investors do not often rush into gold shares when the outlook for industrials still looks to them "bullish." Has the wave of buying at last become ragged and perhaps a little unthinking? Are equities in fact now at or near their peak? Industrial production is running about 6 per cent. higher than a year ago, but the boom has been on a long time and much must now have been discounted. And can profits and dividends possibly overtop their performance of the last few months? These are disturbing thoughts for the holiday. And even though the new Electricity tranche will probably be a "tap" stock, its terms hardly suggest that the authorities want to inject very much more steam into the market.

A "bull" market always encourages the sponsors of new issues to bring their fledglings as quickly as possible into the market. Already, there have been an unusual number of new issues by industrial companies for an August. Among them can be numbered the debenture issues by *East African Power, Ind Coope and Allsopp* and *Bentley Engineering*. In the end a sufficient flow of new issues will automatically restrain any advance in the stock market—but in present circumstances the flow would have to be a spate to do this. Behind all these questions must lie the thought that Britain is having a splendid year, but that is exactly the situation which causes the cautious to ponder. How much longer can the bulls be so brave?

Anglo-Iranian Glitter

One glittering cape was swung in front of the "bulls" and they charged unheedingly. That was the agreement settling the Persian oil dispute. After the announcement *Anglo-Iranian* shot up from £13 to over £16, carrying other oil shares up as well. Almost every investor in oil shares has been busy calculating the incalculable—what profits and what capital sums will accrue to Anglo-Iranian from the new agreement. From the estimate that the agreement will provide Iran with £67 million in revenue at the end of three full years, it has been calculated that on the fifty-fifty principle of sharing between the consortium of oil companies and Iran, and on the two-fifths interest Anglo-Iranian possesses in the consortium, as much as £25 million might be coming the way of Anglo-Iranian in 1957. Yet there are doubts about tax, which could whittle down this sum; it is therefore much too early to talk about equity earnings being doubled. There are capital factors also exerting their influence on the price of the stock. First, there is the £25 million Anglo-Iranian will receive in compensation over the next ten years; secondly, the undisclosed arrangements under which the other oil companies will buy in the consortium; and, finally, the hope that the £50 million set aside in 1950 to special contingencies will somehow be turned into distributable earnings (though it has already been absorbed into the business). Is the £200 million some of the "bulls" have been talking about gold or merely sequins?

Option Dealings Turned Down

Perhaps one of the reasons why the Council of the Stock Exchange again turned down a request by a small group of dealers for the resumption of the prewar practice of option dealings was the simple fact that the market was so active that there was little need to widen the facilities for speculators. Option dealings, which give the investor the right to purchase an option to buy or sell (or in some cases both) at an agreed price at some future date, are in fact counters for the speculator. Speculation can, of course, perform the very useful function of evening out the movements in prices. The Council has presented no precise argument for its decision; instead, it has fallen back on the vague assertion that option dealings would not be in the best interests of the Stock Exchange. It seems that the Council (and, perhaps, behind it a higher authority) considers speculative facilities such as option dealings an evil. But that may not for ever close that particular debate in the City.

Exporting to the United States

The Board of Trade has produced a revised edition of its booklet *Exporting to the United States of America* (Her Majesty's Stationery Office, price 3s. 6d. net). It is intended as a reference book for those who already know the American market and an indication of its characteristic features for those who consider entering it. Sources of further information are listed in an appendix under the heading "Who Will Help." As the booklet says, "No trader can risk venturing blindly into a country where marketing and salesmanship have been developed into a specialised science."

Points From Published Accounts

Accident in Time—A Fable

"TRADE HAD FOLDED UP ON US," SAID THE managing director. "At the best I could see no better than that we should break even on the year's operations. Fortunately, we'd been pretty cautious in the boom years, and I'd taken the opportunity of getting the plant into first-class shape, our stocks were clean, and I foresaw no losses in that direction. We'd also plenty of cash in the kitty, thanks partly to our astute financial director who suggested we ought to raise half a million on a 3 per cent. irredeemable debenture in 1947, although we didn't want the money then.

"Well, we broke exactly even on normal trading, making neither a profit nor a loss. Fair stumped our accountants; they didn't know whether to call it nil profit or nil loss! Young Alf, the boss's son, had pestered me into catching up on our deferred repairs, as we weren't obsessed with production headaches. We spent heavily, and got a £25,000 tax relief in the result.

"Then it was obvious that some of our plant was redundant, and quite a lot of the antiquated stuff that had been written down to nothing fetched a very useful price from some idiot who thought he could compete with us. We made a profit of another £25,000 on selling this, after the balancing charge.

"The financial director I was telling you about got wind of the fact that one of the biggest holders of the debenture stock had passed on. The stock was valued for probate at 90, and the trustees of the estate reckoned it would be the best idea to sell the holding of £100,000 stock for death duty purposes. We pointed out that there might be difficulty in placing that amount, and as we had the cash going spare and earning next to nothing we bought it at 90 for cancellation. That meant a profit of another £10,000.

"The result was that although we hadn't made a brass farthing out of trading we were able to bring £60,000 credits into the accounts, and show quite a fair net profit. At least that's what our accountants called it, but I was against calling it that or paying a dividend to the Ordinary shareholders. I said: 'Look here, we haven't earned a penny on trading—why show a net profit?' They hummed and hawed the technical stuff; and said they must show it this way. I said if they showed it so they were putting us in the spot where we'd have to pay a dividend. I said, too, we'd laid out a lot of money on repairs and on reducing the debenture liability—conveniently forgetting the proceeds of the plant sales. We're still having a real barney with our accountants, and getting nowhere fast. What do *you* advise?"

Taxation Adjustments

Taxation adjustments are inevitable from year to year, for in estimating taxation liabilities accountants cannot but err—and to err on the side of underestimating would be ill-service to clients or company. In some instances, the tax credits brought into the accounts are of imposing magnitude. The Companies Act gives the directors much latitude in describing precisely how the tax charge is computed. The writer has seen a tax adjustment (fortunately on the right side!) equal in amount to the income tax debit against the whole of the year's profits—and ne'er a word of explanation. It is hardly an unnatural inference that the accountants (and others) were extremely "cagey" and that net profits had been, and might still be, consciously understated. Yet the total involved in the adjustment might well relate to a long period of years, or to a single exceptional factor, and the natural inference might therefore be an erroneous one. It is manifestly desirable, when the tax adjustments are of significant size in relation to the cover for the dividends, that the nature of the credit or debit should be described in a footnote. Otherwise the story is incomplete and the shareholder is given a misleading view of the cover for his dividends.

Associated British Engineering relegates to a footnote the information that the provision for tax is made after taking into account income tax relief of approximately £50,000 in respect of past losses of a subsidiary. (The net Ordinary dividend requires £44,000 so that the relief is of considerable importance.) There was even larger relief in the preceding year, though this information is not given in the footnote. (The thought arises: should not all footnotes always give comparative figures?) And because of the limitations of accounts and footnotes it is left to the chairman to say of the tax relief arising from past losses of a subsidiary that "relief from this source has now been mainly absorbed." He does not comment on further £16,330 tax credits relating to previous years, and surprisingly takes both items into reckoning in making the statement to shareholders that the Ordinary distribution "is covered over three and a half times by the net profits at the disposal of the group, after deducting therefrom the preference dividend." Shareholders are provided with the full information, but they have to study the footnotes and the chairman's speech in order to obtain it.

Good Accounts

The accounts of *John Thompson* can be heartily commended to those readers who want an example of what can be done to improve layout and to furnish shareholders with additional useful information. From the accounting angle the main feature is the division of the profit and loss account into two parts, with exceptional items dealt with in the second part, the appropriation account. These items include the release of an investments reserve, investment realisation profit and abnormal tax relief, and on the other side, capital increase expenses and a small sum written-off goodwill. It is a pity that more companies do not follow this practice instead of lumping together normal and exceptional items and calling the heterogeneous balance a "net profit."

Incidentally, the company gives the market value of its trade investments, whereas some other undertakings do not. There is no legal obligation to state the market value, but the auditors of John Thompson presumably felt morally bound to do so as the market value is less than the book value. On the other hand, some of the companies which do not give the market value—*Cropper & Co.* is an example—have a considerable "hidden reserve" in the difference between the book value and the market value of the trade investments.

John Thompson segregates all its investments from current assets, although they are nearly all quoted on stock exchanges and, judging by the income return, appear to consist largely of gilt-edged securities.

Additional information is given in block diagrams and a graph. The diagrams show the average stockholdings, where the money went, exports and —in a rather complicated picture—seven-year details of seven items, namely, gross profit, depreciation, taxation, net profit, dividends paid, stock and work and capital expenditure. (Given the precise figures there would be material here for a statistical maniac!) The chart demonstrates the growth of output; the revenue income and expenditure items mentioned might have been superimposed on this in order to demonstrate, among other things, that the Ordinary shareholder is the very small tail of a very large dog.

Mr. C. B. Innes, A.C.A., who has been the Chief Accountant of the Ruberoid Co., Ltd., since 1938, has been appointed to the Board of directors.

Publications

A CURRENT DIGEST OF THE LAW AFFECTING ACCOUNTANCY. Second issue, September 1 to December 1, 1953. (*Incorporated Accountants' Research Committee. Price 5s. net.*)

A feature of legal literature since the second world war has been the publication of periodical cumulative digests of the tremendous output of newly decided cases, new statutes and statutory instruments, thus relieving the legal practitioner of the task of personally noting-up all new matter affecting the subjects with which he has to deal. The second issue of the *Current Digest of the Law Affecting Accountancy* amply justifies the hope raised by the first issue that this publication would fulfil the demand of accountants for a similar digest specially designed for the use of their profession. In the second issue over 100 cases affecting accountancy reported in the period of four months covered by the issue (during which the High Court was sitting for approximately 12 weeks only) are lucidly and adequately digested, and statutory instruments, statutes and articles of professional interest are noted.

The usefulness of even one issue of such a digest largely depends upon clearness of arrangement under appropriate headings which can be readily selected and turned to when the subject becomes relevant. This the editor, using the assistance of the clear visual presentation achieved by bold main headings, italicised sub-headings and clear spacing, has signally achieved. But the ultimate usefulness of digests depends upon the inclusion in each issue of an efficient cumulative subject index covering the current and all previous issues. This feature has commenced with the second issue and adequately welds the existing issues into one efficient work of reference. The eye might well travel down the index more smoothly if the main headings were to be printed in capitals of the same size as the initial letters of the less important entries—as it is the eye tends to travel from one heading in large capitals to the next in the same type and to skip all less important headings, at present printed in the same type as the inset sub-headings. No apology is made for noticing so small a point because speed and clarity are essential to the efficiency of a digest of this type.

One may be permitted to wonder why, on the cover of a digest which records so much of what Judges are saying and deciding upon the many topics affecting accounts and accountants, a quotation should be thought appropriate which includes the assertion about accounts "... while the proper Judges know the Way neither into, nor out of them, and listen to the Jargon, as if it were Coptick or Arabick." Published in 1715, it is true—but are we to assume that it may be thought to be of modern application?

Age, which deprives many legal publications of their usefulness, enhances through their growth the value of current digests, and one can with confidence predict a long life of growing indispensability for the *Current Digest*.

R. A. L. H.

THE EVOLUTION OF THE SCIENCE OF BOOK-KEEPING. By the late H. J. Eldridge, F.S.A.A. Second edition revised by Leonard Frankland, A.C.A. Pp. 70. (*Gee & Co. (Publishers), Ltd. Price 12s. 6d. net.*)

In September, 1929, the late Mr. H. J. Eldridge delivered to members of the Institute of Book-keepers a lecture on the origins of book-keeping illustrated by lantern slides. In 1931 the lecture was printed to form the first edition of this book, the slides, or their contents, being reproduced and embodied in it.

There are but few books in English on the history of book-keeping and the new edition is therefore welcome, especially in view of the increased interest in the subject which has recently been shown.

In the new edition the arrangement is somewhat revised, the references to the individual slides under which the contents were arranged being omitted, and a new section on modern accounting is added.

There are fourteen photographic illustrations, commencing with Sumerian Tablets of *circa* 2,300 B.C. and concluding with a photograph of a modern book-keeping machine. Included in the photographs is one of a reproduction made by a Russian artist of the magnificent title page from the lost copy of the English translation of Ympyn published in 1547. Three of the photographs are from the much publicised book by E. T. Jones in 1795. It is perhaps to be regretted that the illustrations did not include one or more of the early parish accounts or of the books which have survived which were kept by James Peele as clerk to Christ's Hospital.

A great part of the book consists of a list of authors of book-keeping texts, titles of the books being arranged under the years of publication. More detail and comment is given for a number of the authors, with some account of their lives and work. This is especially true of Mellis, Dafforne, Defoe and Jones. From time to time the text also gives a reference to the general historical events of the authors' times—for example, it is noted that when Mellis published his reproduction of Oldcastle's book in 1588, Shakespeare was 24 years of age, and his first play was written two years later. It is interesting, by the way, to mention in this connection that Shakespeare's character Falstaff was at first named Oldcastle and the name may well have been changed at the instance of some member of the Oldcastle family (though not Hugh Oldcastle the book-keeping author, who certainly by that time was dead).

The first section of the work deals with account keeping from the days of the Sumerian Tablets down to Howell's ledger, in the possession of the Draper's Company. It contains illustrations and also notes on the use of tallysticks in medieval accounting.

The book concludes with a short and necessarily condensed outline of modern methods of book-keeping, including references to the punched card system and to the use of the electronic brain in accounting.

A final comment: Professor August de Morgan, the nineteenth-century mathematician and a writer on book-keeping, referred to the subject as being not a science but a very limited case of the application of arithmetic. The title of the book refers to the "science of book-keeping"; surely the true description lies somewhere between the two.

The first edition contained a reproduction of the final slide of the lecture which included an appeal for efforts, on the part of members of the audience and readers, to recover copies of the early English books on book-keeping by Oldcastle, Ympyn and Waddington. Unfortunately this appeal has not been successful, but there is still a faint hope that Ympyn's English book, last heard of in Russia 30 years ago, may yet be traced.

R. R. C.

THE BRITISH JOURNAL OF ADMINISTRATIVE LAW. Volume I, No. 1, May, 1954. (*Shaw & Sons, Ltd. and Jordan & Sons, Ltd., London. Quarterly. Price 30s. per annum, or 9s. 6d. each issue*).

Besides the ordinary Courts of Law there are now, in this country, many courts, tribunals and other bodies which exercise judicial and quasi-judicial functions, and, whether we like it or not, the number of these bodies and their powers are tending to increase. There has now appeared a

new quarterly: *The British Journal of Administrative Law*, the main objects of which are to provide a forum for the opinions of all those concerned with this administrative law and to encourage increased legal certainty and uniformity in this field. The three articles in the first issue of the *Journal* are all of a high standard and their subjects —Agricultural Land Tribunals, Administrative Procedure and the Rule of Law, Congressional Investigating Committees—are well chosen; a series of such articles will undoubtedly help to form that educated public opinion without which it will be impossible to transform the present chaos of administrative law into a coherent system or systems. The *Administrative Law Reports* which are included in the *Journal* are of great interest in showing the variety of matters that are now decided under administrative law, but their value is rather doubtful. It may be convenient to have a collection of the more important decisions of tribunals, such as the National Insurance Tribunal, which tend to follow their own decisions, but it seems unlikely that from the decisions of one tribunal general principles of law could be extracted for citation before another tribunal. Indeed, the attempt to do so might make the confusion worse. A. P. F.

STORES ACCOUNTS AND STORES CONTROL. By J. H. Burton. Pp. 282. (*Sir Isaac Pitman & Sons, Ltd. Price 15s. net.*)

Mr. Burton's well-known work has been enlarged and thoroughly revised and the fifth edition marks the great development which, since the first edition was published in 1929, has taken place in the attitude of business men towards the considerable advantages to be obtained from the careful control of stocks and stores of all kinds. It deals in a most comprehensive way with various methods of accounting and record-keeping, including the application of office machinery; stocktaking and audit; ordering, receiving and checking; and the problems of organisation, both physical and staffing.

The author fully appreciates the importance of explaining clearly those innumerable practical points which are always the essence of stores control for those responsible. For example, just what to do about pilferage, waste and other leakages is examined; suggestions for dealing with them, both physically and in the records, are put forward. If there is still any lingering doubt that stores require as careful handling as cash, this book certainly dispels it. Valuation for the balance sheet and the problem of income tax and purchase tax are also covered.

The book is fully documented with specimen forms and descriptions of stock record equipment, and as well as being a sound text-book for students it can be thoroughly recommended to all those in any way concerned with stores control. G. L. M.

THE GENERAL RATE. By C. A. C. Chesterman, F.R.V.A. Pp. xxvii + 362. (*P. & T. Publications, Ltd., 290 Cheriton Road, Folkestone. Price 30s. net.*)

The author, who is the Chief Rating Assistant of the Corporation of Folkestone, seeks " to meet a need for a publication dealing in a practical and comprehensive manner with the levy, collection and recovery of the general rate."

The early chapters are concerned with how rate liability arises, on whom it rests and to what extent exemptions and reliefs have been granted. The derating provisions for industrial and freight transport hereditaments, which give a special discriminatory relief are, however, printed separately after a chapter on the mechanics of calculating rating assessments.

As a chapter headed " Income and Expenditure of Local Authorities " has been included, an explanation of the distinction between the general rate fund accounts of a local authority and the accounts of the local authority in its capacity as a rating authority would have been useful. The author describes the prescribed records to be maintained by rating authorities and suggests an interesting method of control for a manual system, but he does not mention the difficulties that may be encountered by a too trustful reliance upon the exact wording of the old regulations on the treatment of refunds. By the wording of its references to the appointment of officers the book was presumably passed for press before the judgment in the recent case of *Grainger* v. *Liverpool Corporation*.

Reference is also made to the incidence and demanding of rates, the " compounding " provisions for owners to pay the rates instead of the occupiers, the grounds of appeal, the procedure for invoking the aid of the Court in the collection of rates and the defences which are available, including the protection of the civil interests of persons on National Service. The last chapters refer to the procedure in liquidations and bankruptcies and are followed by a 90-page appendix of regulations.

This comparatively small book has for its subject a very important part of local authority finance and no one could expect that a single volume would cover that subject very deeply, nor indeed does the author make any such assertion, but it is comprehensive within its limitations. Large portions of the book are extracts from statutes and regulations, but these have been introduced in a readable and pleasing form with an abundance of footnote references. The book, being to so large an extent a summary of the facts and references to them, gives to the reader a sense of reliability; its printing and presentation are to be commended and a couple of spelling errors will doubtless be corrected in subsequent editions. The jacket says that " although primarily intended for the student and rating practitioner this book should prove of use to estate agents, accountants, solicitors and property owners, and others who may be concerned with the management of properties," and this claim is a reasonable one. C. H. P.

THE BUSINESS LAW REVIEW. General editor: Clive M. Schmitthoff. (*The Thames Bank Publishing Co. Ltd., Henley Hall, Henley, Ipswich. Quarterly. Annual subscription 30s.*).

Various specialised legal reviews which have made their appearance in the last few years have not been uniformly successful and cannot all claim to have filled a long-felt want. The present newcomer seeks non-lawyers as well as lawyers for its readers, though much of the contents will be found hard going by the former. (This observation does not apply to the simpler pages devoted to the transactions of a students' law club of a college of commerce). Some of the articles are learned and original contributions to mercantile law, particularly those written by foreign lawyers about foreign law. Although the sub-title of this quarterly is " A Journal of Commercial Law and Practice," comparatively little space has so far been given to practice as distinct from law, often esoteric law. If the business man is expected to derive practical profit from these pages, is it wise to put before him so confidently the opinions of Lord Justice Denning? A commercial lawyer, on the other hand, will find some intellectual pleasure in the Review.

It is announced that " the whole field of commercial law and practice will be reviewed in this journal, including banking, shipping, air law, insurance, exporting, company law and practice, accounting and taxation, business management and arbitration." This is a broad vista. It appears that " business executives possessing professional qualifications " are among the readers envisaged. Such persons are fairly well catered for by their existing specialist periodicals but *The Business Law Review* may well succeed in introducing them to wider fields. W. H. D. W.

Legal Notes

Company Law—Holding Land in Mortmain

The word "mortmain" may sound medieval but it still has a practical meaning in law, as was shown by the recent case of **Morelle Ltd v. Waterworth** [1954] 3 W.L.R. 257. By Section 1 (1) of the Mortmain and Charitable Uses Act, 1888, "land shall not be assured to or for the benefit of, or acquired by or on behalf of, any corporation in mortmain, otherwise than under the authority of a licence from Her Majesty the Queen or of a statute . . . and if any land is so assured otherwise than as aforesaid the land shall be forfeited to Her Majesty," and by Section 10 "assurance includes a gift, conveyance, appointment, lease, transfer, settlement, mortgage, charge, incumbrance, devise, bequest and every other assurance by deed, will or other instrument." These provisions cause no difficulty to companies incorporated under the Companies Act, 1948, for they have power to hold land under Section 14 (1) of that Act, and oversea companies also are given power to hold land if they follow the procedure laid down by Sections 407 and 408. Morelle, Ltd., however, was an oversea company which had not followed this procedure. It had acquired by assignment the residue of a 99-year lease with 19 years still to run, and when it sued its tenant for breach of covenant, he contended that the lease had been forfeited to the Crown. The company's main contention was that the law of mortmain did not apply to a short lease (i.e. a lease for less than 100 years), but the Court of Appeal held that earlier cases in favour of this contention had been overruled by the 1888 Act and that the lease had been forfeited to the Crown.

Contract and Tort—Damages under the Fatal Accidents Acts

Under the Fatal Accidents Acts, 1846 to 1908, if a death is caused by a wrongful act, neglect or default, certain relations of the deceased can bring an action to recover the pecuniary damages that they have suffered by the death. They must, however, bring into account any pecuniary advantages they have received from the death, with certain exceptions, one of which is that they need not bring into account any sum paid or payable on the death of the deceased under any contract of assurance or insurance. In **Bowskill v. Dawson** [1954] 3 W.L.R. 275, D had been killed in an accident through B's negligence. D was a beneficiary under a group insurance scheme made by his employers; under this scheme sums were payable by the trustees of the fund to employees who died when still in employment. Although under the terms of the trust deed the trustees were given conclusive authority to adjudicate upon all claims and in certain events the employers had power to end their payments to the fund, the Court of Appeal held that D's personal representatives had an enforceable right as *cestuis que trust* against the trustees to payment and accordingly the money paid to them by the trustees was paid "on the death of the deceased under a contract of insurance" and should not be taken into account in the assessment of damages.

Another case concerned with damages under the Fatal Accidents Acts was **Peacock v. Amusement Equipment Co., Ltd.** [1954] 3 W.L.R. 288. P was the widower of the deceased, who had been killed in an accident on the defendant's miniature railway. By her will she left all her estate equally between her two children by her former marriage. After the estate had been realised these children voluntarily gave one-third of the estate to P. It was held that this was not a payment made as the result of the deceased's death and need not be taken into account in assessing P's damages.

Executorship Law and Trusts—Precatory Trusts

At the time of his death a testator had living with him in his house a married daughter B, and another daughter D who was mentally afflicted. By his will he bequeathed to B his house "together with contents of same and any possessions I may have on condition that she will always provide a home for D." There was no gift over.

B was resolved to carry out her father's wishes whatever the legal effect of this will, but the executors wished for guidance from the Court. In **Re Brace deceased** [1954], 1 W.L.R. 955, Vaisey, J., held that the words "any possessions I may have" included all the testator's assets and furniture, bank deposit, the proceeds of an insurance policy and arrears of a pension. He also held that B took the whole estate beneficially on the ground that the condition that she should provide a home for D was only a request and was not intended to have legal effect. Further, even if the words "to provide a home" were intended to have legal effect they were too vague to be enforceable.

Miscellaneous—Rent Restriction Acts

If a house is let either rent free or at a rent less than two-thirds of the rateable value, the tenant is not protected by the Rent Restriction Acts. If the whole consideration for a letting is a money rent it is easy to say whether or not that rent is less than two-thirds of the rateable value, but often part or all of the consideration is service which the tenant agrees to give to the landlord, and the question then arises whether the value of the service should be quantified and count as rent. In *Honnsby* v. *Maynard* [1925], 1 K.B. 514, the principle was laid down that the only rent to be considered was an actual money rent, but some doubt has now been cast upon this principle by the Court of Appeal in **Montagu v. Browning** [1954], 1 W.L.R. 1039.

The facts of this case were that in 1941 the trustees of a synagogue let a house to B. The rental value of the house was estimated at £66 a year and B's wages as caretaker of the synagogue were agreed at £40 a year; it was therefore agreed that B should pay a rent of 10s. a week. In 1946 B's wages were raised by 10s. a week and thereafter no actual payments were made either by B as rent or to B as wages. The Court held that on the facts the protected tenancy which had been created in 1941 was not altered by any new agreement in 1946: it was a mere matter of convenience that no money payments were made thereafter.

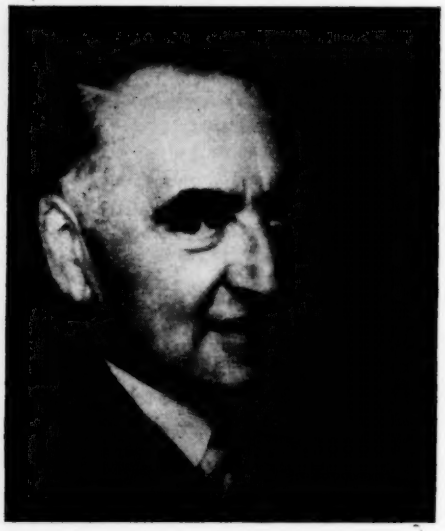
The Court went on to suggest, without deciding, that in cases when rent is not payable in money but in kind, as in goods and services, then, so long as the parties have by agreement quantified the value in terms of money, the sum so quantified is the rent of the house within the meaning of the Rent Restriction Acts. Thus, if an employer were to agree to pay his servant £7 a week wages and to let him a house rent free, and the value of the house were agreed at 20s. a week, it might be that the servant would be a protected tenant. It is to be hoped that the Court will soon have an opportunity of deciding this point one way or the other.

The Association of Superannuation and Pension Funds has acquired new offices. Its address is now 221 Kensington High Street, London, W.8.

THE SOCIETY OF
Incorporated Accountants

DISTRICT SOCIETIES AND BRANCHES

IRISH BRANCH



Mr. R. L. Reid, F.S.A.A.

Mr. R. L. Reid, who (as reported in our August issue, on page 320) has been elected as President of the Society of Incorporated Accountants in Ireland, was admitted as an Associate of the Society in January, 1913, and advanced to Fellowship in 1934. In 1929 he became a partner in the associated firms of Messrs. Purtill & Co. and Messrs. M. Crowley & Co., Dublin and Limerick.

He has been a member of the Council of the Irish Branch since 1934, and previously served as President from 1938 to 1940. He has also acted as Honorary Treasurer for many years.

Mr. Reid is interested in motoring and in music, being a patron member of the Dublin Grand Opera Society.

SOUTH AFRICAN (NORTHERN) BRANCH

MR. R. D. MEESER HAS BEEN ELECTED Chairman of the Branch, and Mr. W. K. V. Fowler Vice-Chairman. Mr. W. E. Pearse was elected to fill a vacancy on the Committee.

SOUTH AFRICAN (WESTERN) BRANCH

THE ANNUAL GENERAL MEETING WAS HELD in Cape Town on May 5.

The Chairman, Mr. A. C. Sargeant, said that approximately 50 per cent. of the Incorporated Accountants in South Africa were registered under the Public Accountants and Auditors Act. The number of Western Branch candidates for the Society's examination was declining as compared with the Northern and Eastern Branches. Those who qualified attained a world-wide qualification.

The report and accounts were adopted. The retiring members of the Committee were re-elected, and Mr. R. W. B. Toms was elected to fill a vacancy caused by the transfer of Mr. A. C. Craig to Johannesburg. Mr. A. F. Fisher was reappointed auditor.

NEW SOUTH WALES DIVISION

A MEETING OF MEMBERS WAS HELD ON JULY 23, when the following Committee was elected: Mr. H. H. Stitt, Mr. J. A. L. Gunn, Mr. P. D. Walker, Mr. F. C. Bock and Mr. E. H. Sheedy. Mr. H. H. Stitt was elected President. Mr. E. H. Sheedy remains Honorary Secretary of the Branch.

LONDON STUDENTS' SOCIETY

PRE-EXAMINATION COURSES

NON-RESIDENTIAL PRE-EXAMINATION COURSES for both Intermediate and Final candidates will be held at King's College, London, from Monday, September 27 to Friday, October 1 inclusive. The programme for the courses is as follows:

Intermediate Course

SEPTEMBER 27

"Personal Computations and Returns of Income," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Taxation in Company Accounts," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Negotiable Instruments," by Mr. C. H. Beaumont, Barrister-at-Law.

"The Elements of Company Law," by Mr. C. H. Beaumont, Barrister-at-Law.

SEPTEMBER 28

"Schedules A, B, C & E," by Mr. L. A. Hall, A.C.A., A.S.A.A.

"Schedule D Computations," by Mr. L. A. Hall, A.C.A., A.S.A.A.

"Auditing," by Mr. A. C. Simmonds, F.S.A.A. (two lectures).

SEPTEMBER 29

"Branch Accounts," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Estate Duty Accounts and Apportionments," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Law of Contract," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

"Sale of Goods Act," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

SEPTEMBER 30

"Partnership Accounts," by Mr. R. Glynne Williams, F.C.A.

"Incomplete Records," by Mr. R. Glynne Williams, F.C.A.

"Banking, Shipping & Insurance," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM.

"The Stock Exchange," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM.

OCTOBER 1

"Accounts in Bankruptcy and Liquidation," by Mr. K. S. Carmichael, A.C.A.

"Costing," by Mr. K. S. Carmichael, A.C.A.

"Company Accounts," by Mr. P. E. Harris, A.S.A.A. (two lectures).

Final Course—Part I

SEPTEMBER 27

"Executorship Accounts," by Mr. P. E. Harris, A.S.A.A.

"Company Accounts," by Mr. P. E. Harris, A.S.A.A.

"Group Accounts," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. (two lectures).

SEPTEMBER 28

"Auditing," by Mr. A. C. Simmonds, F.S.A.A. (two lectures).

"Partnership Accounts," by Mr. R. Glynne Williams, F.C.A.

"Branch Accounts," by Mr. R. Glynne Williams, F.C.A.

SEPTEMBER 29

"Costing," by Mr. V. S. Hockley, B.COM., C.A. (two lectures).

Final Course—Part II

SEPTEMBER 29

"Company Law and Partnership Law," by Mr. C. H. Beaumont, Barrister-at-Law.

"Executorship Law and Trustees," by Mr. C. H. Beaumont, Barrister-at-Law.

SEPTEMBER 30

"Profits Tax," by Mr. L. A. Hall, A.C.A., A.S.A.A.

"Capital Allowances," by Mr. L. A. Hall, A.C.A., A.S.A.A.

"Capital Structure of Companies," by Mr. Leo T. Little, B.SC.(ECON.).

"The Banking System and the Money Market," by Mr. Leo T. Little, B.SC.(ECON.).

OCTOBER 1

"Schedule D with particular reference to partnerships and reliefs for losses," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. (two lectures).

"Law of Contract," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

"Bankruptcy and Liquidation," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

The cost to each student attending will be as follows:

Intermediate Course—	£3
Final Course—Parts I & II—	£3
Final Course—Part I only—	£1 10s.
Final Course—Part II only—	£1 10s.

These courses are open to examination candidates from any part of the United Kingdom and the Republic of Ireland. Application forms may be obtained direct from the Secretary of the London Students' Society or from Honorary Secretaries of District Societies. The closing date for receiving applications is Wednesday, September 15.

HULL

ANNUAL REPORT

THE MEMBERSHIP OF 350 INCLUDES 150 seniors and 200 students.

The third residential course for students was held at Thwaite Hall, Cottingham, from April 2 to 4, and was attended by 38 students and 13 qualified members.

The 25th anniversary of the formation of the District Society was celebrated by a dinner-dance held in March, 1954, when distinguished guests were welcomed.

Both the course and the dinner-dance were ably organised by Mr. Henry Scott.

The Students' Section reports that eight lectures were held during the session, and that the Hull Professional Associations' Co-ordinating Committee arranged a mock income tax appeal and an enjoyable dance.

A full winter session for students was held in the North Lincolnshire region, in conjunction with other bodies.

The monthly luncheon meetings have again been popular.

Memoranda have been submitted to the parent Society on the Companies Act, 1948, on Section 55 of the Finance Act, 1940, and on censuses of production and distribution.

The Committee congratulate 11 students successful in the Final Examination and 14 who passed the Intermediate.

NOTTINGHAM, DERBY & LINCOLN

ANNUAL REPORT

THE MEMBERSHIP TOTALS 430, COMPRISING 71 Fellows and Associates in practice, 161 not in practice, and 198 students.

Eleven students were successful in the Final Examination in 1953, and 25 in the Intermediate. The Committee congratulates them.

Ten lectures were held in Nottingham and one in Lincoln. Mr. Bertram Nelson, Vice-President of the Society, spoke at a luncheon meeting.

A research sub-committee prepared memoranda, at the request of the parent Society, on the effect of estate duty on family businesses and on suggested revision of the Companies Act, 1948.

SOUTH OF ENGLAND

THE ANNUAL MEETING WAS HELD ON JULY 29. Mr. R. A. Etheridge was elected President, and Mr. B. A. Apps Vice-President. The retiring members of the Committee were re-elected, and Mr. J. C. G. Davis and Mr. A. W. Dawson were elected as additional Committee members.

REPORT

The membership totals 496, comprising 244 Fellows and Associates and 252 students.

Twelve students were successful in the Final Examination and twenty-one in the Intermediate. Congratulations are extended to them.

A dinner was held in Bournemouth in March, 1954, and a supper dance in Southampton in January. The Bournemouth section again held a cricket match between teams from Bournemouth and Poole and from Dorchester.

Four lectures were given during the winter session, in addition to three branch meetings.

A new centre for the Society's examinations has been arranged at University College, Southampton.

The Committee records with regret the deaths of Mr. W. F Hodges and of Colonel W. A. Sparrow, O.B.E., T.D., a past Vice-President of the District Society.

EVENTS OF THE MONTH

September 3.—*Glasgow:* Students' Society annual general meeting. Christian Institute, 70 Bothwell Street, C.2, at 5.45 p.m.
Hull: "Estate Duty," by Mr. G. G. Thomas, PH.D, F.S.A.A. Students' meeting. Church Institute, at 6.15 p.m.

September 6.—*Belfast:* Annual golf outing to Clandeboye Golf Course.

September 8.—*London:* Meeting of the Taxation Group. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

September 13.—*London:* "Costing—I," by Mr. K. W. Bevan, A.C.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

September 14.—*Birmingham:* Luncheon meeting. Imperial Hotel, Temple Street, 2.

September 17. — *Glasgow:* Study Circle. Students' meeting. Christian Institute, 70 Bothwell Street, at 5.45 p.m.
Hull: "Accounting for Intermediate Students," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. Church Institute, at 6.15 p.m.

September 17 to 21.—*Oxford:* Incorporated Accountants' Course on Management Accounting. Balliol College.

September 20.—*London:* "Costing—II," by Mr. K. W. Bevan, A.C.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

September 25.—*Leeds:* "Principles of Partnership Accounts on a Change of Partners," by Mr. C. S. Paylor, A.C.A., A.S.A.A. Students' revision class. 2 Basinghall Street, at 11 a.m.

September 27. — *Bradford:* "Partnership Accounts," by Mr. K. S. Carmichael, A.C.A. Liberal Club, Bank Street, at 6.15 p.m.
London: "Costing—III," by Mr. K. W. Bevan, A.C.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

September 27 to October 1.—*London:* Pre-examination courses for students. King's College, W.C.2.

September 29.—*London:* Meeting of the Management Group. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

October 1.—*Birmingham:* "Problems in Company Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Law Library, Temple Street, at 6.15 p.m.
Glasgow: Study circle. Students' meeting. Christian Institute, 70 Bothwell Street, at 5.45 p.m.
Hull: "Bankruptcy," by Mr. A. V. Hussey, F.S.A.A. Students' meeting. Church Institute, at 6.15 p.m.
Manchester: "The Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

October 2.—*Leeds:* "An Outline of Costing Methods," by Mr. E. F. Potter, A.C.W.A. Students' revision class. 2 Basinghall Square, at 11 a.m.

October 4.—*London:*—"Electronic Accounting," by Mr. T. R. Thompson, M.A., B.SC., Chief Assistant Comptroller, J. Lyons & Co., Ltd. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Luton: "Cost Accounts," by Mr. K. S. Carmichael, A.C.A. Students' meeting. George Hotel, at 6.15 p.m.

October 5.—*London:* "Legal Constraints on Accounting," by Mr. T. W. South. Stamp-Martin Chair research seminar. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Swansea: District Society annual general meeting at 6.30 p.m. "The Universities and the Professions," by Principal J. S. Fulton, M.A., Vice-Chancellor of the University of Wales, at 7 p.m. Guildhall.

October 6.—*Belfast:* "Executorships," by Mr. P. E. Harris. Library, 13 Donegall Square West, at 7 p.m.
Hull: Luncheon Meeting. Regal Room, Ferensway, at 1 p.m.

October 8.—*Birmingham:* "Public Speaking," by Mr. W. Munton, F.L.C.M. Law Library, Temple Street, at 6.15 p.m.
Cambridge: "Income Tax—Schedule A," by Mr. J. W. Walkden, A.C.A., A.S.A.A. Shire Hall, at 7 p.m.
Luton: Students' dance. Leicester Arms Hotel.
Manchester: "The Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

EXAMINATIONS—NOVEMBER, 1954

THE SOCIETY'S EXAMINATIONS WILL BE held on the following dates:

Preliminary: November 9 and 10, 1954.
Intermediate: November 11 and 12, 1954.
Final: Part I. November 9 and 10, 1954.
Part II. November 11 and 12, 1954.

The Centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.; Preliminary, £3 3s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2 not later than Monday, September 20, 1954.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

PERSONAL NOTES

Sir Frederick J. Alban, C.B.E., F.S.A.A., F.I.M.T.A. (a member of the Council of the Society of Incorporated Accountants) has been elected an Honorary Fellow of the Institute of Municipal Treasurers and Accountants.

Mr. J. S. Hallam, A.S.A.A., has taken up an appointment as secretary of High Speed Steel Alloys, Ltd., Widnes, Lancashire.

Mr. W. J. Dark, F.S.A.A., formerly Borough Treasurer of Stalybridge, is now Borough Treasurer of Rowley Regis, Staffordshire.

Mr. A. W. Chinn, A.S.A.A., has been appointed secretary and chief accountant to Buckwell & Co., Ltd., Karachi, Pakistan.

Mr. John Cockram, F.S.A.A., director and general manager of the Colne Valley Water Company, Watford, has relinquished the appointment of secretary, and is succeeded in that office by Mr. W. D. Ison, A.S.A.A. Mr. E. C. Howkins, A.S.A.A., has been appointed accountant.

Messrs. Macfarlane Gray & Co. have amalgamated their practice with that of Mr. W. C. Smith, Certified Accountant. The joint practice is being carried on under the firm name of Macfarlane Gray & Co., at 20-28 Murray Place, Stirling.

Mr. Gordon G. Thomas, PH.D., F.S.A.A., has been retained by the Area Council for Wales and Monmouthshire of the National Chamber of Trade, in conjunction with the Public Economy Association, to make an investigation of the trading activities of Glamorgan County Council.

Mr. R. K. Fryer, Incorporated Accountant, has commenced public practice at 285 New Bedford Road, Luton.

Mr. M. A. Baitup, A.S.A.A., has been appointed Secretary of A. & S. Henry and Co., Ltd., the Manchester textile group, in succession to the late Mr. Arthur Crosland, A.S.A.A.

Miss Phyllis E. M. Ridgway, B.A., F.S.A.A., announces that Mr. L. F. Judge, F.C.A., and Mr. E. G. Chadwick, A.C.A., who practise as Fawley Judge & Easton, Chartered Accountants, have joined her as partners in her practice of Butterell & Ridgway. The two firms are being continued separately, but for convenience the offices of Messrs. Butterell & Ridgway have been moved to 1 Parliament Street, Hull. The telephone number, Central 36537, is unchanged.

Mr. J. D. Axelrod, Incorporated Accountant, has started public practice at Hope Chambers, 7 Leather Lane, Dale Street, Liverpool, 2.

Messrs. Kimberley, Morrison & Co., Birmingham, have taken into partnership Mr. A. J. Heal, A.S.A.A. The style of the firm is now Kimberley, Morrison, Moore and Co.

Mr. J. N. Parrott, A.S.A.A., and Mr. D. E. P. Cornelius, A.S.A.A., have dissolved their partnership in the firm of Parrott and Cornelius. Mr. Parrott is continuing to practise at 76 High Street, Bedford, under the style of Parrott & Co., Incorporated Accountants. Mr. Cornelius is now practising at 231 Brecknock Road, London, N.19, and 24 Pamela Road, Pinhoe Road, Exeter, under the style of Popham Cornelius & Co., Incorporated Accountants.

Mr. D. W. Baker, A.S.A.A., has been appointed assistant managing director of Thames Grit and Associated Ltd., London, S.W.1, and of its subsidiary companies.

Messrs. Muir, Moody & Co., Incorporated Accountants, London, N.4, announce that they have taken into partnership Mr. C. H. V. Fox, A.S.A.A. The firm name remains unchanged.

Mr. R. E. Lord, A.S.A.A., F.A.C.C.A., formerly practising under the style of H. Lindley & Co., Incorporated Accountants, has amalgamated his practice with that of Mr. G. H. Taylor, Chartered Accountant. The new firm is styled Lord, Taylor & Co., and is being carried on at 22 Bridge Street, Manchester, 3.

Mr. E. Ewart Pearce, M.B.E., F.S.A.A., J.P., and Mr. Richard R. Davies, F.S.A.A., hitherto practising as Sweeting, Pearce, Davies & Co., Incorporated Accountants, announce that their partnership has been dissolved by mutual consent. Mr. E. Ewart Pearce is continuing to practise at 20 Windsor Place, Cardiff, under the style of Sweeting, Pearce & Co. Mr. Davies is practising at 10 St. Andrew's Crescent, Cardiff, under the style of Richard Davies and Co.

Messrs. C. Neville Russell & Co., Incorporated Accountants, London, E.C.2, announce that Mr. A. W. Dyer, A.S.A.A., will join the firm as a partner on October 1. The practice will continue in the same name.

REMOVALS

Mr. J. W. Cooknell, Incorporated Accountant, has removed his office to 4 Grosvenor House, Grosvenor Road, Coventry.

Messrs. Gardiner, Hunter & Co., Chartered Accountants, announce that their address is now 3 Stone Buildings, Lincoln's Inn, London, W.C.2. They have opened a branch office at 31 High Street, Lewes, Sussex.

Messrs. Maurice J. Bushell & Co. announce a change of address to 14 Ironmonger Lane, London, E.C.2.

Messrs. E. C. Barker & Co., Incorporated Accountants, have moved their London office to Ibex House, Minories, E.C.3. Telephone Royal 3731.

Messrs. Pearse & Ryan, Incorporated Accountants, advise that their offices are now at Colonial Bank Buildings, 39 Simmonds Street, corner of Simmonds and Market Streets, Johannesburg. The telephone and box numbers are unchanged.

Office Salaries and Clerical Work

Clerical Salaries Analysis, 1954, a publication of the Office Management Association (price 25s. post free from the Association at 8 Hill Street, London, W.1.), tabulates statistics of office salaries obtained by an inquiry covering 831 establishments and 70,000 clerks. The report appears biennially. There is also a full report of the trends, prepared by Mr. O. G. Pickard. One of the 90 tables gives statistics for clerical salaries in the group "Professional Services (Law, Accountancy, Medical Services, Education, Consultants, and other Professional and Business Services, including Associations)." Another publication of the Association, with the title *Grading of Clerical Work*, obtainable from it at 21s. post free, shows how to assess the capabilities of clerks and sets out specifications for clerical jobs—cash control, payroll and staff records, certification of bought invoices and bought ledgers, punched card machine operation and ten other such office procedures. The book also explains how a job grading and merit-rating scheme, and appropriate salary scales, can be introduced.